



**Washington State Auditor
Brian Sonntag**

DATE: January 11, 2010

TO: Local Governments

SUBJECT: BARS Manuals and Reporting Packages Annual Updates

The Budgeting, Accounting and Reporting System (BARS) Manuals and Reporting Packages have been updated and posted on our Web site at <http://www.sao.wa.gov/EN/Audits/LocalGovernment/BarsManuals/Pages/default.aspx>. If you do not have electronic access, please contact us at (360) 725-5598.

State law (RCW 43.09.230) requires all local governments in Washington to file their annual financial report with our Office within 150 days after the close of the fiscal year. Please refer to the manual or reporting package specific to your government for a detailed list of reporting requirements. The updates apply to 2010 fiscal year reports, although early implementation is encouraged.

Local governments have a new option for submitting annual financial reports through our Web site at <http://www.sao.wa.gov/EN/Applications/AnnualReports/Pages/OnlineFiling.aspx>. The attached flyer explains this reporting option. For questions and/or support please contact Duane Walz at walzd@sao.wa.gov or (360) 725-5594. Other options for submitting annual financial reports are in your manual's reporting section and each reporting package.

Major changes to the reporting requirements that may affect your government are outlined in the attached Major Changes document. The *Overview of Changes* page in each manual also provides detailed information on changes that have been made.

Training on BARS and other topics is available through the Washington Finance Officers Association. Their Web site is www.wfoa.org.

If you have questions or need assistance, please contact Alexandra Johnson at (360) 725-5596.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

2010 Major Changes

The bold headings refer to the user group affected by each specific change. If you have questions regarding this information, please contact Alexandra Johnson at johnsoal@sao.wa.gov or (360) 725-5596.

All Manual Users (does not include Reporting Package users)

Schedules 04 and 05 – please review the updated Reporting Part of your manual for details regarding formatting changes to these Schedules.

GAAP and Cash Manuals for Cities, Counties and Special Purpose Districts

There are new requirements regarding election cost allocation. The new method is applicable for all elections held after January 1, 2010.

GAAP Manual for Cities, Counties and Special Purpose Districts, GAAP Manual for Port District, Transit District Manual, PUD Manual and all Reporting Package users

Disclosure requirements for GASB Statement 53, Accounting and Financial Reporting for Derivatives Instruments were added to the Reporting Part. The requirements of this Statement are applicable for financial statements for periods beginning after June 15, 2009. Earlier implementation is encouraged.

Cash Manual for Cities, Counties and Special Purpose Districts

The format for the financial statements (C-4 and C-5) has been updated. The update includes removal of the budgeted data column and addition of a total column.

New tabs are available for updated chapters in the Accounting and Reporting Parts of your manual. Contact Terry Thomas at thomast@sao.wa.gov or (360) 725-5598 to request a set of the updated tabs. Please be sure to leave the following information with your request:

Name, Title
Department
Government Name
Address
Telephone or e-mail

Risk Pools Reporting Package

Schedule T-2, *OFM Schedule of Expenses*, has been added to the annual reporting requirements.

All Manual Users

BARS Manuals and Reporting Packages are updated annually. Update notifications are announced via the SAO Subscription Services. The service is free and takes just a few moments to set up. Once your account is set up, go to 'Other Resources', choose 'Local Government Correspondence' and then check the manual or reporting package you use. In addition to the annual BARS notifications, you can also subscribe to receive other announcements. Go to our home page at www.sao.wa.gov and click on *Subscriptions* located on the banner at the top of the page. Assistance with this process is available by calling (360) 725-5599.

If you do not have the option to sign up for electronic notifications, please contact Terry Thomas at thomast@sao.wa.gov or (360) 725-5598 to request hard copy mailings.



File your report online!

Annual Financial Reports

Where?

www.sao.wa.gov

Look on the home page under:

"Can we help you find something?"

When?

Starting February 1, 2010

Why file online?

It's faster

Get instant electronic confirmation that we received your report

It's less expensive

No ink, postage, CDs

It's efficient

A step toward paperless accounting

It's easier

Reduce unnecessary schedules; step-by-step instructions are on Web site

The screenshot shows the Washington State Auditor's Office website. At the top, there is a navigation bar with links: CONTACT, SUBSCRIPTIONS, LINKS, SITE INDEX, and a search bar. Below this is the header with the Auditor's Office logo and the text 'WASHINGTON STATE AUDITOR'S OFFICE'. A secondary navigation bar includes links: HOME, ABOUT, REPORTS, AUDITS, INVESTIGATIONS, PUBLIC RECORDS, CAREERS, RFP, and NEWS. The main content area is titled 'SUBMIT ANNUAL FINANCIAL REPORTS' and contains a form with the following fields: MCAG# (with a dropdown arrow), Entity Name (text input), Email Address (with a dropdown arrow), Report Type (radio buttons for Cash Basis and GAAP Basis), Certification/Cover Page (Required Signature) (radio buttons for Attached and Mailed), and a document upload section with a 'Browse' button and an 'Upload' button. At the bottom of the form are 'Submit' and 'Cancel' buttons. The footer includes the 'Access to Washington' logo, links for 'PRIVACY STATEMENT' and 'DISCLAIMER', a copyright notice '©2009 Washington State Auditor's Office. All Rights Reserved.', and a URL: 'http://www.sao.wa.gov/bq/applications/annualreports/pages/submitannualreports.aspx'. The browser's address bar at the very bottom shows the same URL.

2009

**ANNUAL FINANCIAL
REPORTING PACKAGE**

**Water/Sewer/Irrigation Districts
(GAAP)**



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

GAAP UTILITIES
REPORTING PACKAGE

Table of Contents

Reporting Requirements	1-1
Local Government Audit Managers	2-1
Management Discussion and Analysis (MD&A)	3-1
Statement of Net Assets	4-1
Statements of Revenues, Expenses and Changes in Fund Net Assets (or Fund Equity)	5-1
Statement of Cash Flows	6-1
Notes to Financial Statements	7-1
Required Supplementary Information (RSI)	8-1
Supplemental Schedules	9-1

THIS PAGE LEFT BLANK INTENTIONALLY.

REPORTING REQUIREMENTS

State law (RCW 43.09.230) requires all local governments in Washington to file their annual report with our Office within 150 days after the close of the fiscal year.

Electronic reporting is encouraged when filing annual reports. Annual reports should be submitted via the Online Filing option on the State Auditor's website at www.sao.wa.gov. For questions and/or support e-mail walzdsao.wa.gov or call Duane Walz at (360) 725-5594. If you cannot provide your annual report in the electronic format mail it to:

Annual Report
State Auditor's Office
Local Government Support Team
PO Box 40031
Olympia, WA 98504-0031

Governments have an option to participate in the GFOA's Certificate of Achievement for Excellence in Financial Reporting program. To participate in this program, a government must prepare a comprehensive annual financial report (CAFR). These reports have to provide additional information which is not required in preparation of basic GAAP financial statements. For additional information on preparation of a CAFR see GAAP BARS Manual, Volume 1, Part 4, Chapter 10.

THIS PAGE LEFT BLANK INTENTIONALLY.

STATE AUDITOR'S OFFICE
LOCAL GOVERNMENT AUDIT MANAGERS

BELLINGHAM TEAM

San Juan, Skagit, Whatcom
Sadie Armijo
Audit Manager
Phone: 360-676-2165, ext. 101
FAX: 360-676-2091

CENTRAL KING COUNTY TEAM

King County, City of Seattle, Seattle SD, Sound
Transit, Port of Seattle, Seattle HA, Seattle Mono
Rail and a number of regional planning agencies,
stadium authorities, public facility districts and
development authorities located in downtown Seattle
Carol Ehlinger
Audit Manager
Phone: (206) 615-0557
FAX: (206) 464-7292

EVERETT TEAM

Island, Snohomish
Casey Dwyer
Audit Manager
Phone: 425-257-2137
FAX: 425-257-2149

NORTH KING COUNTY TEAM

North and East King Counties, Higher Education
Beth Mauch, CPA
Audit Manager
Phone: 425-739-1801, ext. 104
FAX: 425-739-1800

OLYMPIA TEAM

Grays Harbor, Lewis, Pacific, Thurston
Angela Cady
Audit Manager
Phone: 360-533-9241
FAX: 360-664-0157

PORT ORCHARD TEAM

Clallam, Jefferson, Kitsap, Mason
Brian Taylor
Audit Manager
Phone: 360-895-6133
FAX: 360-895-6138

PULLMAN TEAM

Adams, Asotin, Lincoln, Spokane (South), Whitman
Debbie Pennick, CPA
Audit Manager
Phone: 509-335-5868
FAX: 509-335-3714

For technical assistance contact your local audit team or access the HelpDesk at www.sao.wa.gov.

SOUTH KING COUNTY TEAM

King (Cities)
Jim Griggs
Audit Manager
Phone: 253-372-6250, ext. 105
FAX: 253-372-6252

SPOKANE TEAM

Pend Oreille, Spokane (North), Stevens
Cody Zimbleman
Audit Manager
Phone: 509-456-2700, ext. 103
FAX: 509-329-3707

TACOMA TEAM

Pierce
Mark Rapozo, CPA
Audit Manager
Phone: 253-593-2047, ext. 111
FAX: 253-597-4146

TRI CITIES TEAM

Benton, Columbia, Franklin, Garfield, Walla Walla
Kent Zirker
Audit Manager
Phone: 509-734-7104
FAX: 509-734-7108

VANCOUVER TEAM

Clark, Cowlitz, Skamania, Wahkiakum
Jasen McEathron
Audit Manager
Phone: 360-260-6408, ext. 104
FAX: 360-260-6417

WENATCHEE TEAM

Chelan, Douglas, Ferry, Grant, Okanogan
Juan Esparza
Audit Manager
Phone: 509-662-0440
FAX: 509-664-6396

YAKIMA TEAM

Kittitas, Klickitat, Yakima
Sarah Walker, CFE
Audit Manager
Phone: 509-454-7848
FAX: 509-575-2166

CERTIFICATION/COVER PAGE FOR ANNUAL REPORT – INSTRUCTIONS

A cover page must be included with every annual report submission.

Official Name	Enter the official name of the government. If the government operates under a “DBA” this should also be listed. For example: “Thurston County Fire Protection District No. 5, doing business as Black Lake Fire Department.”
MCAG No.	This is a unique identifying number assigned by the State Auditor’s Office. Your MCAG number can be found on our Web site at http://sao.wa.gov/EN/Audits/LocalGovernment/Pages/default.aspx . If you are unable to locate your number, please contact Lisa Tagman at tagmanl@sao.wa.gov or (360) 725-5599.
Fiscal Year Ended	Enter the date (day, month and year) of the end of the 12 month period covered by the annual report. For example, most local governments close their books and report on a calendar year and would report “December 31, 2009” for their 2009 annual report.
Certification	Annual reports are required to be certified by RCW 43.09.230.
Official Address	Enter the legal business address of the government.
Official Website	Enter the official website of the government. If the government does not have a website, then enter <i>none</i> .
Preparer	Enter the name and position of the person that the State Auditor’s Office should contact with any questions regarding the entity’s annual report. Enter the phone number where our Office can reach this contact person during regular business hours to discuss the annual report. More than one phone number can be entered, if needed. Enter the e-mail address where our Office can communicate with the contact person. If there is no email address for this person, then enter <i>none</i> .

ANNUAL REPORT

(Official Name of Government)

MCAG No.

Submitted pursuant to RCW 43.09.230 to the STATE AUDITOR'S OFFICE

FOR THE FISCAL YEAR ENDED _____, 20__

Certified correct this _____ day of _____, 20__, to the best of my knowledge and belief:

GOVERNMENT INFORMATION:

Official Mailing Address _____

Official Web Site Address _____

PREPARER INFORMATION and CERTIFICATION:

Preparer Name and Title _____

Contact Phone Number _____

Contact Fax Number _____

Contact E-mail Address _____

Signature _____

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The MD&A should include all of the components of MD&A discussed in the GASBS 34 to the extent they apply:

- A brief discussion of basic financial statements.
- Condensed comparative financial data extracted from the basic financial statement. The condensed data should include:
 - total assets (distinguished between capital and other assets)
 - total liabilities (distinguished between long-term and other liabilities)
 - total net assets/equity (distinguishing between (1) invested in capital assets, net of related debt; (2) restricted, and (3) unrestricted net assets)
 - operating revenues (by major source)
 - nonoperating revenues (by major source)
 - total revenues
 - operating expenses and nonoperating expenses (as prescribed in the operating statement)
 - total expenses
 - excess or deficiency (before any capital contributions, contributions to term and permanent endowments, special items, extraordinary items and transfers)
 - capital contributions
 - special and extraordinary items
 - transfers
 - change in net assets
 - ending net assets
- Analysis of the district's overall financial position and results of operations. The district should specifically address whether its overall financial position has improved or deteriorated.
- Description of significant capital assets and long-term debt activity.
- If a district uses the modified approach, description of significant changes in condition and estimated maintenance expenses for infrastructure assets. This requirement is not applicable to districts depreciating all their infrastructure assets.
- Discussion of currently known facts, decision, or conditions that are expected to have a significant effect on the financial position (net assets) or results of operations (revenues, expenses and other changes in net assets/equity.)

The MD&A should not go beyond the required elements listed above.

If the district prepares comparative financial statements (i.e., basic financial statements (including notes) and RSI are presented for both years), the MD&A is required to address both years presented in the comparative financial statements. The "comparative" MD&A would include comparative condensed financial information and related financial analysis for both years (i.e., the district would present its financial analysis for two years, however condensed financial information would encompass three years).

THIS PAGE LEFT BLANK INTENTIONALLY.

STATEMENT OF NET ASSETS

The information for this statement should be taken from the district's general ledger after closing entries are posted. Presentation of comparative financial statements^{1/} is optional.

The districts have two options for presentation:

1. Single column presentation
In this presentation all activities are combined in one column.
2. Multiple column presentation
In this option each activity should be reported separately. All duplicating transactions should be eliminated. The elimination may be presented in a separate column on the face of the financial statements or in the notes. The districts must also present a *total* column for all underlying activities.^{2/}

If you have prepared a detailed statement of net assets, it is not necessary to use enclosed forms.

In June of 1991, the Governmental Accounting Standards Board (GASB) issued its Statement 14^{3/} which defines the financial reporting entity. The Statement is effective for financial statements for periods beginning after December 15, 1992, and requires governmental entities to evaluate their relationships with other organizations (both governmental and nongovernmental).

Application of the Statement may result in the addition of a *Component Units* column (or columns) or other forms of disclosure in the financial statements of the district^{4/}. The following forms do not contain provisions for component units. If your district has a component unit as defined by GASB Statement 14 you will need to make the appropriate modifications to your statements. The GAAP BARS Manual discusses the reporting entity and potential component units in Part 3, Chapter 12 and provides examples of financial statements which include component units. For further information, refer to the GAAP BARS Manual and the GASB Statement 14.

This statement can be also prepared using the balance sheet format.

In June 1999, GASB approved Statement 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*. This and consecutive statements are reflected in this reporting package.

^{1/} Comparative financial statements mean two complete sets of financial statements for each of comparative year. Each set should contain basic financial statements (including notes) and RSI (including MD&A). Both years may be combined in one presentation; however each element (MD&A, basic financial statements, notes, and RSI) have to include information for both years.

^{2/} This presentation requires additional audit procedures due to the multiple opinion units and it may result in an increased audit time.

^{3/} As updated by the GASBS 39, *Determining Whether Certain Organizations Are Component Units*.

^{4/} For details see the GASBS 34, paragraph 126.

MCAG No. _____

(District)
STATEMENT OF NET ASSETS
December 31, 20__

Page 1 of 2

ASSETS

20__

Current Assets:

Cash and Cash Equivalents	\$ _____
Deposits with Fiscal Agents/Trustees	_____
Short-Term Investments	_____
Receivables (Net):	_____
_____	_____
_____	_____
_____	_____

Restricted Assets:

Debt Service, Deposits, Replacements	_____
Construction Accounts	_____

Inventories

Prepayments

Other Current Assets

TOTAL CURRENT ASSETS

Noncurrent Assets:

_____	_____
_____	_____
_____	_____

Restricted Assets:

Debt Service, Deposits, Replacements	_____
Construction Accounts	_____

Capital Assets Not Being Depreciated:

Land	_____
Construction in Progress	_____

Capital Assets Being Depreciated:

Plant	_____
Capital Leases	_____
Machinery and Equipment	_____
_____	_____

Less Accumulated Depreciation	(_____)
-------------------------------	-----------

Total Capital Assets (Net)

TOTAL NONCURRENT ASSETS

TOTAL ASSETS

\$ _____

LIABILITIES

20__

Current Liabilities:

Warrants Payable

\$ _____

Accounts/Vouchers Payable

Payables from Restricted Assets:

Debt Principal

Debt Interest

Deposits and Other Payables

TOTAL CURRENT LIABILITIES

Noncurrent Liabilities:

Payables from Restricted Assets:

Debt Principal

Debt Interest

Deposits and Other Payables

Compensated Absences

TOTAL NONCURRENT LIABILITIES

TOTAL LIABILITIES

NET ASSETS

Invested in Capital Assets, Net of Related Debt

Restricted for _____

Unrestricted

TOTAL NET ASSETS

\$ _____

The notes to financial statements are an integral part of this statement.

THIS PAGE LEFT BLANK INTENTIONALLY.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
(or FUND EQUITY)

The information for this statement should be taken from the district's revenue and expense ledgers after year-end adjustments are posted but before closing the books. Presentation of comparative financial statements^{1/} is optional.

In June 1999, GASB approved Statement 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*. This and consecutive statements are reflected in this reporting package.

The line items are taken from the statement of revenues, expenses and changes in fund net assets for proprietary funds contained in the GAAP BARS Manual. For proper classification refer to Part 1, Chapters 6 and 7 and Part 4, Chapter 3.

The districts have two options for presentation:

3. Single column presentation

In this presentation all activities are combined in one column.

4. Multiple column presentation

In this option each activity should be reported separately. All duplicating transactions should be eliminated. The elimination may be presented in a separate column on the face of the financial statements or in the notes. The districts must also present a *total* column for all underlying activities.^{2/}

The following forms do not contain provisions for component units. If your district has a component unit as defined by GASB Statement 14^{3/} you will need to make the appropriate modifications to your statements. The GAAP BARS Manual discusses the reporting entity and potential component units in Part 3, Chapter 12 and provides examples of financial statements which include component units. For further information, refer to the GAAP BARS Manual and the GASB Statement 34, paragraph 126.

^{1/} Comparative financial statements mean two complete sets of financial statements for each of comparative year. Each set should contain basic financial statements (including notes) and RSI (including MD&A). Both years may be combined in one presentation; however each element (MD&A, basic financial statements, notes, and RSI) have to include information for both years.

^{2/} This presentation requires additional audit procedures due to the multiple opinion units and it may result in an increased audit time.

^{3/} As updated by the GASBS 39, *Determining Whether Certain Organizations Are Component Units*.

MCAG No. _____

(District)

Page 1 of 2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS (or FUND
EQUITY)

For the Year Ended December 31, 20__

OPERATING REVENUES: 20__

Sales of Merchandise	\$ _____
Utility Sales and Service Fees	_____
Other Charges for Services	_____
Other Operating Revenue	_____
Total Operating Revenue	_____

OPERATING EXPENSES:

Operations:	
General Operations	_____
Water Purchased for Resale	_____
Contracted Processing and Operations	_____
Cost of Power	_____
Cost of Goods Sold	_____
Maintenance	_____
Customer Services and Marketing	_____
Administration:	
General Administration	_____
Planning, Conservation, Research and Development	_____
Depreciation/Amortization/Depletion	_____
Property, Excise and B&O Taxes	_____
Other Operating Expenses	_____
Total Operating Expenses	_____

OPERATING INCOME (LOSS) \$ _____

NONOPERATING REVENUES (EXPENSES):

Operating Assessments and Tax Levies	_____
External Operating Subsidies	_____
Revenue from Merchandising, Jobbing and Contract Work	_____
(Costs and Expenses of Merchandising, Jobbing and Contract Work)	_____
Interest and Dividend Income	_____
(Interest Expense and Related Charges)	_____
Equity in Income (Loss) of Joint Ventures/ Subsidiaries	_____
Gains (Losses) on Capital Asset Disposition	_____
Other Nonoperating Revenues	_____
(Other Nonoperating Expenses)	_____
 Total Nonoperating Revenues (Expenses)	 _____
 Income before Contributions, Extraordinary and Special Items	 _____
 Capital Contributions	 _____
Extraordinary/Special Items	_____
 CHANGE IN NET ASSETS	 _____
 TOTAL NET ASSETS, January 1	 \$ _____
 Prior Period Adjustments	 _____
 TOTAL NET ASSETS, December 31	 \$ _____

The notes to financial statements are an integral part of this statement.

THIS PAGE LEFT BLANK INTENTIONALLY.

STATEMENT OF CASH FLOWS

The district must present a statement of cash flows. The only acceptable method of presentation is the direct method. In using the direct method, a reconciliation of operating cash flows to operating income is required.

Presentation of comparative financial statements^{1/} is optional.

The statement of cash flows reports the flow of cash in four activities:

- Cash Flows from Operating Activities,
- Cash Flows from Noncapital Financing Activities,
- Cash Flows from Capital and Related Financing Activities, and
- Cash Flows from Investing Activities.

Cash Flows from Operating Activities

In reporting cash flows from operating activities, districts should report major classes of gross cash receipts and gross cash payments and their sum – the net cash flow from operating activities. Cash flows from operations include all cash related to transactions and events reported as components of operating income in the statement of revenues, expenses, and changes in fund net assets. In addition, the operating activities category is used for any cash inflow or outflow that cannot properly be classified in one of the other three categories. Districts should, at a minimum, report separately these classes of operating cash receipts and payments:

- a. Cash receipts from customers,
- b. Cash receipts from interfund services provided,
- c. Other operating cash receipts (if any),
- d. Cash payments to employees for services, cash payments to other suppliers of goods or services,
- e. Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and reasonably equivalent in value to, services provided,
- f. Other operating cash payments (if any).

The cash flows for cash receipts from customers, cash paid to employees and suppliers (item a, d and e above) may be difficult to determine, so the district may indirectly calculate these amounts. (See the worksheet at the end of this section.)

Further detail of operating cash receipts and payments should be provided if the detail is useful. Interest receipts usually do not qualify to be a part of cash flows from operating activities. Exceptions to this rule are loans that:

- 1) fulfill government social programs rather than for income or profit; and
- 2) directly benefit individual constituents of government.

Program loans typically refer to loans that meet both of these exceptions. The collection of principal payments related to program loans is reported as a cash inflow in this section.

^{1/} Comparative financial statements mean two complete sets of financial statements for each of comparative year. Each set should contain basic financial statements (including notes) and RSI (including MD&A). Both years may be combined in one presentation; however each element (MD&A, basic financial statements, notes, and RSI) have to include information for both years.

Cash Flows from Noncapital Financing Activities

This portion of the cash flows statement includes:

- Borrowing and repayments (principal and interest) of debt that is not clearly attributable to capital purposes. Capital purposes include capital acquisition, construction, or improvement, including capital lease repayments.
- Borrowing to finance program loans.
- Grant proceeds not specifically restricted to capital purposes.
- Grant payments (both capital and otherwise) to other governments.
- Transfers to and from other funds (except when a transfer is received for capital purposes).
- Tax receipts not attributable to capital purposes.
- Interest paid on noncapital-related vendor payables.

Cash Flows from Capital and Related Financing Activities

This portion of the cash flows statement includes:

- Borrowing and repayment (principal and interest) of debt clearly attributable to capital purposes.
- Proceeds of capital grants and contributions.
- Transfers from other funds for capital purposes.
- Payments related to the acquisition, construction, or improvement of capital assets.
- Sale or involuntary conversion of capital assets (such as insurance proceeds resulting from the loss of a capital asset).
- Capital-type special assessments.
- Tap fees in excess of the actual cost of connection (if they are to be used for capital purposes).
- Taxes levied specifically for capital purposes or related debt service.

Interest capitalization is ignored for purposes of the statement of cash flows. Interest payments should be reported as interest payments rather than as capital acquisition, even though the payments may be capitalized in the statement of net assets and not reported as interest expense in the statement of revenues, expenses, and changes in fund net assets.

Cash Flows from Investing Activities

This portion of the cash flows statement includes:

- Receipt of interest (except on certain program loans).
- Loan collections (except for certain program loans).
- Proceeds from the sale of investments.
- Receipt of interest on customer deposits.
- Changes in the fair value of investments subject to fair value reporting and classified as cash equivalents.

Cash outflows in the investing activities category include:

- Loans made to others (except for program loans).
- Purchase of investments.

Reconciliation

Governments are required to provide a reconciliation of the difference between cash flows from operating activities and operating income. This reconciliation should be presented either within the statement of cash flows or as an accompanying schedule to the statement.

Noncash investing, capital, or financing transactions

The statement of cash flows is limited to actual inflows and outflow of cash (and cash equivalents). Therefore, financial statement users still need information on certain noncash activities that otherwise would fail to be reported either in the statement of revenues, expenses, and changes in fund net assets or in the statement of cash flows. Specifically, information is needed regarding noncash transactions that meet two criteria:

1. The transaction affects recognized assets or liabilities, and
2. The transaction would not properly have been classified as cash flows from operating activities.

This information can be presented either in a narrative or tabular format on a separate schedule accompanying the statement of cash flows.

If the district uses multiple enterprise funds, the funds are not required to be aggregated into a single column. However, a total enterprise fund column is necessary. If the district chooses a single column presentation, the underlying fund financial statements are required to be included in the basic financial statements.

MCAG No. _____

(District)

Page 1 of 2

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 20__

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Receipts from customers	①
Payments to suppliers	(②)
Payments to employees	(③)
Internal activity – payments to other funds	(⑤)
Claims paid to outsiders	(⑤)
Other receipts (payments)	_____
Net cash provided (used) by operating activities	_____ ④

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Operating subsidies	_____
Net cash provided (used) by noncapital financing activities	_____

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Proceeds from capital debt	
Capital contributions	
Purchases of capital assets	
Principal paid on capital debt	
Interest paid on capital debt	
Other receipts (payments)	_____
Net cash provided (used) by capital and related financing activities	_____

**CASH FLOWS FROM INVESTING
ACTIVITIES**

Proceeds from sales and maturities of investments	
Interest and dividends	
Net cash provided (used) by investing activities	_____
Net increase (decrease) in cash and cash equivalents	_____
Balances – beginning of the year	_____
Balances – end of the year	_____

**NONCASH INVESTING, CAPITAL AND
FINANCING ACTIVITIES**

Borrowing under capital lease	_____
Contribution of capital asset from _____	_____
Increase in fair value of investment	_____
_____	_____

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED)
BY OPERATING ACTIVITIES**

Operating income (loss)

Adjustments to reconcile operating income to net

Cash provided (used) by operating activities:

Depreciation expense

Change in assets and liabilities:

Receivables, net

Inventories

Accounts and other payables

Accrued expenses

Net cash provided by operating activities

④

The notes to financial statements are an integral part of this statement.

CASH FLOW WORKSHEET

This worksheet is not mandatory, but it may help you to prepare the statement of cash flows.

Cash received from customers:

	Operating Revenues		
Add:	Customer Receivables – Beginning		
Less:	Customer Receivables – Ending		
Less:	Increase in Bad Debt		
	Net Cash Received from Customers	<u>①</u>	See Statement of Cash Flows

Cash paid to suppliers:

	Supplies and Materials		
Add:	Repairs and Maintenance		
Add:	Utilities		
Add:	Other Operating Expenses		
Sub total	Total Expenses Requiring Cash		
Add:	Accounts Payable – Beginning		
Less:	Accounts Payable – Ending		
	Net Cash Paid to Suppliers	<u>②</u>	See Statement of Cash Flows

Cash paid to employees:

	Salaries and Benefits		
Add:	Salaries and Benefits Payable – Beginning		
Less:	Salaries and Benefits Payable – Ending		
Add:	Compensated Absences Payable – Beginning		
Less	Compensated Absences Payable – Ending		
	Net Cash Paid to Employees	<u>③</u>	See Statement of Cash Flows

Cash flows from operations:

	Cash Received from Customers	①	
	Other Operating Cash Receipts (Uses)		Add receipts/Less uses
Less:	Cash Paid to Suppliers	②	
Less:	Cash paid to Employees	③	
	Net Cash Provided (Used) by Operating Activities	<u>④</u>	See Statement of Cash Flows

NOTES TO FINANCIAL STATEMENTS

The notes that follow were designed to provide example disclosures required for water/sewer/irrigation districts. These samples are intended as a guide to phrasing the required disclosures. They are illustrative only and should be adapted to unique circumstances of the district.

Although notes presented in this chapter are considered the minimum requirement for annual reporting, they are not all inclusive and additional disclosures may be needed due to the districts' unique circumstances. Before including additional information the district should consider its significance for the fair presentation and avoid immaterial and unnecessary disclosures.

If the district prepared comparative financial statements^{1/} the notes have to include information for both years.

The notes to financial statements are an integral part of the statements. They should be attached to the district's financial statements.

^{1/} Comparative financial statements mean two complete sets of financial statements for each of comparative year. Each set should contain basic financial statements (including notes) and RSI (including MD&A). Both years may be combined in one presentation; however each element (MD&A, basic financial statements, notes, and RSI) have to include information for both years.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 20__

These notes are an integral part of the accompanying financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of _____^{1/} conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The (district) has elected (to/not to) apply Financial Accounting Standards Board (FASB) guidance issued after November 30, 1989 to the extent that it does not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB)^{2/}. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB approved Statement 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*. This and consecutive statements are reflected in the accompanying financial statements (including notes to financial statements). The following is a summary of the most significant policies (including identification of those policies which result in material departures from generally accepted accounting principles):

a. **Reporting Entity**

_____^{1/} is a municipal corporation governed by an elected _____^{3/} member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. (The _____^{1/} has no component units.) (These financial statements present _____^{1/} (the primary government) and its component units. The component units discussed below are included in the district's reporting entity because of the significance of their operational or financial relationships with the district.)^{4/}

NOTES TO PREPARER: (The portions of these notes in parentheses are alternatives or additions you may need to use, depending on the particular circumstances.)

1/ Insert the official name of the district.

2/ Modify this sentence appropriately.

3/ Indicate the number of members on your board.

4/ Component units are defined in GASB Statements 14 and 39 (also see Part 4, Chapter 1 of the GAAP Budgeting, Accounting and Reporting System (BARS) manual). If the district has a component unit(s) for which it is financially accountable, further disclosure of the relationship(s) is required. If the district qualifies as a component unit of another government, disclosure of that relationship is also required. In addition, GASB Statement 14 requires disclosures concerning related organizations, joint ventures and jointly governed organizations. Refer to the GAAP BARS Manual and GASB Statements 14 and 39 for further information.

b. Basis of Accounting and Presentation

The accounting records of the district are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. (The district used the Uniform System of Accounts for Class ^{1/} Water Utilities.)^{2/}

The district uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred.^{3/} Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds.

The district distinguishes between operating revenues and expenses from nonoperating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a district's principal ongoing operations. The principal operating revenues of the district are charges to customers for _____. The district also recognizes as operating revenue (e.g., the portion of the top fees intended to recover the cost of connecting new customers to the system, etc.). Operating expenses for the district include (e.g., the cost of sales and services, administrative expenses, depreciation on capital assets, etc.). All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(Unbilled utility service receivables are recorded at year end.)^{4/} (Operating income includes gains and losses from the disposal of utility plant.)

c. Cash and Cash Equivalents

For purposes of the statement of cash flows, the district considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

d. (Utility Plant and Depreciation) (Capital Assets)

See Note ____.^{5/}

NOTES TO PREPARER: (The portions of these notes in parentheses are alternatives or additions you may need to use, depending on the particular circumstances.)

^{1/} Indicate class designation A and B, C, or D.

^{2/} Change the title to indicate the correct system of accounts in use. If more than one system of accounts is involved, change the sentence to read *The district uses the following accounting manuals:* and list the manuals used.

^{3/} If assessment interest and penalties are not accrued, or if other modified-accrual recognition principles are used, be sure to disclose them and to disclose that such approaches are not in accordance with general accepted accounting principles (GAAP).

^{4/} If material utility service receivables are not accrued at year end, this should be disclosed along with the clause, *which is a departure from generally accepted accounting principles*.

^{5/} Insert the note number for disclosure of capital assets.

e. Restricted Funds

In accordance with bond resolutions (and certain related agreements) separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses, including (construction,) debt service and other special reserve requirements. Restricted funds currently include the following:^{1/}

Special Funds:	\$ _____
Debt Service Funds:	\$ _____
_____	_____
_____	_____

Assets and liabilities shown as current in the accompanying statement of net assets (or balance sheet) exclude current maturities on revenue bonds and accrued interest thereon because debt service funds are provided for their payment.

f. Receivables^{2/}

g. Inventories

Inventories are valued at _____^{3/} which approximates the market value.

h. Investments^{4/}

NOTES TO PREPARER: (The portions of these notes in parentheses are alternatives or additions you may need to use, depending on your particular circumstances.)

1/ If the statement of net assets (or balance sheet) lists these restricted funds separately, omit this sentence. Otherwise, furnish descriptive titles for the various restricted funds in use.

2/ Describe your receivables and disclose your policy for estimating and writing off uncollectible accounts.

3/ Insert *FIFO - first in, first out, average cost*, etc. If *LIFO - last in, first out*, is used, omit the phrase about market value.

4/ Disclose the following:

- a. The methods and significant assumptions used to estimate the fair value of investments, if that fair value is based on other than quoted market prices.
- b. The policy for determining which investments, if any, is reported at amortized cost.
- c. For any investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool and whether the fair value of the position in the pool is the same as the value of the pool shares.
- d. Any involuntary participation in an external investment pool.
- e. If a district cannot obtain information from a pool sponsor to allow it to determine the fair value of its investment in the pool, the methods used and significant assumptions made in determining that fair value and the reasons for having had to make such an estimate.
- f. Any income from investments associated with one fund that is assigned to another fund.

(For more details, see the GASB Statement 31 as amended by the GASBS 40.)

For various risks related to the investments see Deposits and Investments Note No. ____.

The district may disclose the above information in its investment note.

i. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. The district records unpaid leave for compensated absences as an expense and liability when incurred.

Vacation pay, which may be accumulated up to (maximum days or weeks) is payable upon resignation, retirement or death. Sick leave may accumulate (indefinitely or up to ___ hours).^{1/}

j. Unamortized Debt Expenses

Costs relating to the sale of bonds are deferred and amortized over the lives of the various bond issues.

k. Construction Financing^{2/}

l. Purchase Commitments^{3/}

NOTES TO PREPARER:

^{1/} Only sick leave which is a part of retirement or termination benefit should be disclosed in this note (GASB Statement 16). Describe the policy regarding sick leave. For example:

Upon resignation, any outstanding sick leave is lost.

If an employee terminates with at least ten years of service, he or she will be paid for sick leave balances up to thirty days, at one-half his or her final pay rate.

^{2/} This note should disclose any cost-sharing agreements or other long-term financing or credit agreements that the district has entered into.

^{3/} This note should disclose any long-term purchase commitments, take-or-pay agreements, etc.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY^{1/}

NOTE 3 – DEPOSITS AND INVESTMENTS

a. Deposits^{2/}

The (district's) deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

b. Investments

As of December 31, 20__, the (district) had the following investments:

<u>Investments</u> ^{3/}	<u>Maturities</u>	<u>Fair Value</u>
State investment pool	_____	_____
U.S. Treasuries	_____	_____
Bankers' acceptance	_____	_____
Repurchase agreements ^{4/}	_____	_____
_____	_____	_____
_____	_____	_____
Total		\$ _____

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the (district) would not be able to recover the value of the investment or collateral securities. Of the (district's) total position of \$_____ in _____, \$_____ is exposed to custodial credit risk because the investments are held by the (district's) brokerage firm, which is also the counterparty in those particular securities.

NOTES TO PREPARER: (The portions of these notes in parentheses are alternatives or additions you may need to use, depending on your particular circumstances.)

1/ If there was a violation of finance-related legal or contractual provisions, the district should disclose both: a) the description of the violation(s), and b) the actions(s) taken to address the violation(s).

2/ If a district has deposits at the end of a fiscal period that are exposed to custodial credit risk, it should disclose the amount of those bank balances, the fact that the balances are uninsured, and whether the balances are exposed on the basis of being either (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

If the district's deposits are exposed to foreign currency risk, the district should disclose the U.S. dollar balances of such deposits, organized by currency domination.

3/ The district should briefly describe the types of investments authorized by legal or contractual provisions and district's own policies that are related to risks. If the district has not deposits or investments policy that addresses a specific type of risk that it is exposed to, the disclosure should indicate that fact.

This disclosure is required for a primary government as a whole. Risk disclosures should also be made for individual major funds, nonmajor funds in an aggregate, or fiduciary fund types when the risk exposures are significantly greater than the deposit and investment risk of the primary government. If there are material violations of these provisions, they should be disclosed. If the types of investments authorized for component units differ significantly from those authorized for the primary government and those component units have material investment activity compared with the combined primary government activity, the difference in the authorized investment types should be disclosed.

Disclose all investments including those not evidenced by securities that exist in physical or book-entry form. Disclosure is limited to types of investment held at year end. Indicate type of investment(s).

For any investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool and whether the fair value of the position in the pool is the same as the value of the pool shares is required.

The district should disclose any involuntary participation in an external investment pool.

The investments should be disclosed at their fair value. However, districts have the option of reporting certain investments at cost or amortized cost (e.g., real estate, venture capital in limited partnerships, loan receivable, trade accounts receivable, restricted stock, etc.). The SSAP should indicate whether the district uses this option and, if so, for which one specific categories of investment. Also, if a government uses some other than quoted market prices to estimate their fair values, the methods and significant assumptions should be disclosed.

NOTES TO PREPARER (Note 3 continued):

Risk disclosures applicable to investments should be reported separately by investment type. Dissimilar securities should not be aggregated into a single investment type.

Disclose custodial credit risk for investments only if unregistered/uninsured securities are held either by the counterparty or by the counterparty's trust department or agent, but not in district's name.

If applicable, provide additional disclosures for following types of risk:

- Credit risk – disclose credit ratings for investments in debt securities, whether held directly or indirectly including the credit ratings for position in external investment pools. If a rating is not available, that fact should be disclosed. (This requirement does not apply to the debt securities of the U.S. government or obligations of the U.S. government agencies that are explicitly guaranteed by the U.S. government.) The district should use the various rating categories (e.g., AAA, Aaa, etc.) set by nationally recognized statistical rating organizations (e.g., Fitch Ratings, Moody's Investor Services, Standard & Poor's, etc.).
- Concentration risk – disclose amount and issuer of investments that represents 5 percent or more of total investments. (This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments.)
- Interest rate risk – information should be organized by investment type and amount using one of the following methods:
 - segmented time distribution
 - specific identification
 - weighted average maturity
 - duration
 - simulation model.

Any assumption made in process of applying these methods need to be disclosed.

A district that participates in a pooled arrangement (other than a 2a7 – like external pools investment pool) should disclose interest rate risk for the pooling arrangement.

A district should also disclose (if not disclosed already) any contractual terms for debt investments that expose those investments to the risk of significant changes in fair value resulting from interest rate fluctuation (e.g., coupon multipliers benchmark indices, embedded options, etc.).

- Foreign currency risk – disclose in U.S. dollars value of investment hold in foreign currency. A separate disclosure is necessary for each different foreign currency denomination and each different type of investment within a given currency.

A district should disclose all of its policies relevant to each of different types of risks, but only for those types of risks actually faced by the district. If a district does not have a policy that covers one or more of the risks it is facing, that fact must itself be disclosed.

(For more information see GASBS 3, 28, 31 and 40.)

Disclosures required by the GASBS 40 should also be made for securities lending collateral that is reported in the statement of net assets (or balance sheet) and for the underlying securities. (See GASBS 28, as amended by GASBS 40.)

4/

If the district uses reverse repurchase agreements, include the following:

State statutes permit the (district) to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contracted rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in fair value of the securities. If the dealers default on their obligations to resell these securities to the (district) or provide securities or cash of equal value, the (district) would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. The credit exposure at year-end was \$_____.

All sales of investments under reverse repurchase agreements are for fixed terms. In investing the proceeds of reverse repurchase agreements, the (district's) policy is for the term to maturity of the investment to be the same as the term of the reverse repurchase agreement. Such matching existed at the year end.

- c. Derivates Instruments^{1/}
 - d. Securities Lending^{2/}
 - e. Gains and Losses on Investments^{3/}
-

NOTES TO PREPARER:

^{1/} Derivatives are arrangements to receive or to make payment based on market prices without actually entering into the related financial or commodity transactions.

For the required accounting and reporting information refer to GASB Statement 53, *Accounting and Financial Reporting for Derivative Instruments*.

The note disclosure requirements of GASB Statement 53 reflect that pronouncement's distinction between derivatives that function as investments and derivatives used for hedging. Like other investments, derivatives that function as investments generally must provide the disclosures mandated by GASB Statement 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement 3)*. For other derivatives involving hedges, GASB Statement 53 has essentially incorporated the disclosure requirements of GASB Technical Bulletin (TB) 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*. All the same, the credit risk disclosures of GASB Statement 53 will apply in all cases.

You may also refer to examples of disclosure in the GAAP Ports BARS Manual on the SAO website at www.sao.wa.gov.

^{2/} If in the period covered by the financial statements, the district participated in the securities lending transactions, the following information should be disclosed:

- ① source of legal or contractual authorization for the securities lending transactions;
- ② general description of the securities lending transactions;
 - type of securities lent,
 - type of collateral received,
 - whether the district has the ability to pledge or sell collateral securities without a borrower default,
 - the amount by which the value of the collateral provided is required to exceed the value of underlying securities,
 - any restrictions on the amount of the loans that can be made,
 - any loss indemnification (i.e., a securities lending agent's guarantee that it will protect the lender from certain losses),
 - fair values of underlying securities at the statement of net assets (or balance sheet) date;
- ③ whether the maturities of the investments made with cash collateral generally match the maturities of their securities loans, as well as the extent of such matching at the statement of net assets (or balance sheet) date;
- ④ the amount of credit risk, if any, related to the securities lending transactions (if the lender has not credit risk, that fact should be stated);
- ⑤ the amount of any losses on the securities lending transactions during the period resulting from the default of a borrower or lending agent and amounts recovered from prior period losses, if not separately disclosed in the operating statement.

Securities lending transactions are subject to custodial risk disclosure requirements addressed in paragraph 9 of GASBS 40, *Deposits and Investments Risk Disclosures*. See paragraph 10 of above Statement for applicability of this disclosure.

(For more details, see the GASB Statement 28, *Accounting and Financial Reporting for Securities Lending Transactions*)

^{3/} Districts may disclose realized gains and losses computed as the difference between the proceeds of the sale and the original cost of the investments sold. They also should disclose that:

- a. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments.
- b. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

(For more details, see the GASB Statement 31.)

NOTE 4 – (UTILITY PLANT AND DEPRECIATION) (CAPITAL ASSETS)

Capital assets are defined by the District as assets with initial individual cost of more than \$_____ and an estimated useful life in excess of _____ year(s).

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. (Obligations under capital leases are disclosed in Note (Lease Commitments Note No.)).

Utility plant in service (and other capital assets) (is/are) recorded at cost (where the historical cost is known). Where historical cost is not known, assets are recorded at _____.^{1/} Donations by developers (and customers) are recorded at (the contract price and donor cost or appraised value).

Utility plant activities for the year ended December 31, 20__ were as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Utility plant not being depreciated:				
Land	_____	_____	_____	_____
Construction in progress	_____	_____	_____	_____
<u>Total utility plant not being depreciated</u>	_____	_____	_____	_____
Utility plant being depreciated:				
Buildings	_____	_____	_____	_____
Equipment	_____	_____	_____	_____
_____	_____	_____	_____	_____
<u>Total utility plant being depreciated</u>	_____	_____	_____	_____
<u>Less accumulated depreciation for:</u>				
Buildings	_____	_____	_____	_____
Equipment	_____	_____	_____	_____
_____	_____	_____	_____	_____
<u>Total accumulated depreciation</u>	_____	_____	_____	_____
<u>Total utility plant being depreciated, net</u>	_____	_____	_____	_____
TOTAL UTILITY PLANT, NET	\$ _____	\$ _____	\$ _____	\$ _____

(The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation.) (However, in the case of the sale of a significant operating unit or system, the original cost is removed from the utility plant accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.)

(An allowance for funds used during construction is capitalized as part of the cost of utility plant. While cash is not received currently from such allowance, it is realized under the rate-making process over the service life of the related property through increased revenue resulting from a higher rate base and higher depreciation expense. The procedure is intended to remove the cost of financing construction activity from the income statement and to treat such cost in the same manner as construction labor and material costs.)

NOTES TO PREPARER: (The portions of these notes in parentheses are alternatives or additions you may need to use, depending on your particular circumstances.)

^{1/} Describe the method of valuation.

(During 20__, the district capitalized \$_____ of net interest costs for funds borrowed to finance the construction/acquisition of capital assets. Interest costs of \$_____ in 20__ were offset by interest income of \$_____.)

Capital assets are depreciated using _____ method(s) ^{1/} over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Building	_____
Building Improvements	_____
Vehicles	_____
Equipment	_____
_____	_____
_____	_____

(Initial depreciation on utility plant is recorded in the year subsequent to purchase.)

(Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to utility plant; charges that related to abandoned projects are expensed.)

_____ expenses include an impairment loss of _____ due to _____. ^{2/}

NOTES TO PREPARER: (The portions of these notes in parentheses are alternatives or additions you may need to use, depending on your particular circumstances.)

^{1/} Insert *straight-line* or the particular accelerated method used.

^{2/} If it is not otherwise apparent from the face of the financial statements, the district should disclose a general description, the amount, and the financial statement classification of the impairment loss.

If the district received an insurance recovery related to the impaired asset, its amount and financial statement classification should be disclosed.

The district needs to disclose the carrying amount of impaired capital assets that are idle at year-end, regardless whether the impairment is considered permanent or temporary.

(For more details see the GASBS 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.)

NOTE 5 – CONSTRUCTION IN PROGRESS

Construction in progress represents expenses to date on projects whose authorizations total \$_____.^{1/} Of the committed balance of \$_____, the district will be required to raise \$_____ in future financing.^{2/}

NOTE 6 – SHORT-TERM DEBT^{3/}

Short-term activities for the year ended December 31, 20__ were as follows:

Debt	Beginning Balance 01/01/20__	Issued	Redeemed	Ending Balance 12/31/20__
_____	\$_____	\$_____	\$_____	\$_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

NOTES TO PREPARER:

^{1/} Total construction project budgets should be included here.

^{2/} If there are numerous construction projects, this information should be presented in a schedule like the example below:

Construction in progress is composed of the following:

	<u>Project Authorization</u>	<u>Expended to 12/31/XX</u>	<u>Committed</u>	<u>Required Future Financing</u>
Water Treatment Plant	600,000	-	600,000	\$600,000
Congress Avenue Sewer Line	250,000	215,000	35,000	None
Improvement District No. 79	200,000	200,000	200,000	None
Improvement District No. 80	200,000	117,100	82,900	None
Various Projects Under \$100,000	<u>250,000</u>	<u>196,150</u>	<u>53,850</u>	<u>None</u>
	<u>\$1,500,000</u>	<u>\$1,822,250</u>	<u>\$ 771,750</u>	<u>\$600,000</u>

^{3/} The district should provide the information about short-term debt activities (e.g., anticipation notes, use of line of credit and similar loans, etc.) during year, even if no short-term debt is outstanding at the year end.

The district should describe the purpose for which the short-term debt was issued.

The district may also address how it intends to finance the payment of short-term debt outstanding at the end of the fiscal period.

NOTE 7 – LEASE COMMITMENTS

a. Operating Lease(s)^{1/}

The (district) is committed under various leases for _____.^{2/} These leases are considered operating leases for accounting purposes. Lease expenses for the year ended December 31, 20__ amounted to \$_____. Future minimum rental commitments for these leases are as follows:

Fiscal Year Ending December 31:^{3/}

20__	\$ _____
20__	_____
20__	_____
20__	_____
20__	_____
20__-20__	_____
Total	\$ _____

NOTES TO PREPARER:

^{1/} Prepare this part of the note for leases which are not capitalized.

If the district is a lessee in an operating (not noncancellable) lease, notes should describe only lease arrangements, current-year end rental cost and any contingent rentals.

If the district is a lessor in an operating lease, the notes should disclose both the cost and carrying amount of leased assets and depreciation on these assets.

If the district is a lessor in a noncancellable operating lease, the notes should disclose minimum future rentals in the aggregate and for each of the five succeeding fiscal years.

^{2/} List the types of operating leases your district has.

^{3/} List the payments by year for the next five years, then add lines to show payments in five-year increments thereafter.

b. Capital Lease(s)^{1/}

The (district) has entered into (a) lease agreement(s) for financing the acquisition of _____.^{2/} These lease agreements qualify as capital leases for accounting purposes and are recorded as assets and as long-term liabilities at the present value of the future minimum lease payments as of the date of their inception. The district records lease payments as reductions of the long-term liability and as interest expense over the life of the lease. The future minimum lease payments under these lease agreements are as follows:

Fiscal Year Ending December 31:^{3/}

20__	\$_____
20__	_____
20__	_____
20__	_____
20__	_____
20__-20__	_____
Less amount representing interest	_____
Present Value of Future Minimum Lease Payments	\$_____

Depreciation policy for capitalized assets is described in (Capital Assets Note No.).

NOTES TO PREPARER:

^{1/} If the district is a lessor in a capital lease, this note should disclose that. The note should also disclose the total future minimum lease payments receivable for each of the five succeeding fiscal years.

^{2/} List the assets acquired through capital leases.

^{3/} List the payments by year for the next five years, then add lines to show payments in five-year increments thereafter.

NOTE 8 – LONG-TERM DEBT AND LIABILITIES

a. Long-Term Debt

Schedule 09 which accompanies this report^{1/} contains a list of the outstanding debt at December 31, 20___. The annual requirements to amortize all debts outstanding as of December 31, 20__^{2/} including interest, are as follows^{3/}.

Fiscal Year Ending December 31:^{4/}

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
20___	\$_____ ^{5/}	\$_____	\$_____
20___	_____	_____	_____
20___	_____	_____	_____
20___	_____	_____	_____
20___	_____	_____	_____
20___-20___	_____	_____	_____
Total	\$=====	\$=====	\$=====

(Interest on the variable – rate _____ revenue bonds is paid at the _____ rate and is reset semiannually.)

There is \$_____ in restricted assets of the district. These represent sinking funds and reserve requirements as contained in the various indentures.

There are a number of other limitations and restrictions contained in the various bond indentures. The district is in compliance with all significant limitations and restrictions.^{6/}

The (district) has pledged future (identify pledged revenue) revenue, net of (e.g., specified operating expenses, etc.), to repay \$_____ in _____ revenue bonds issued in ____, 20___. Proceeds from the bonds provided financing for (describe the purpose). The bonds are payable solely from (identify pledged revenue) revenue and are payable through 20___. Annual principal and interest payments on the bonds are expected to require less than __ percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$_____. Principal and interest paid for the current year and total (identify pledged revenue) were \$_____ and \$_____, respectively.^{7/}

The following bond issues have been refunded as of December 31, 20___.

<u>Bond Issue</u>	<u>Amount Outstanding</u>
_____	\$_____
_____	\$_____
_____	\$_____
Total Refunded Bonds Outstanding	\$_____

NOTES TO PREPARER:

^{1/} Instead of preparing Schedule 09, the district may present the required information in this note.

^{2/} This schedule should be for debts outstanding at the end of the latest year presented and amounts may be rounded to the nearest hundred or thousand dollars.

NOTES TO PREPARER (Note 3 continued):

^{3/} If your district has additional debt that has been authorized but not issued, the unissued amounts should be listed here in a separate paragraph. If conduit (no-commitment) debt is reported on the statement of net assets (or balance sheet), it needs to be included in all long-term disclosures. Otherwise, the district should disclose:

- General description of transactions.
- Aggregate amount of all conduit debt obligations outstanding at the statement of net assets (or balance sheet) date. If the amount of debt issued prior to January 1, 1996 (or prior to the date of implementation of GASB Interpretation 2) is not determinable or cannot be reasonably estimated, the district may provide the aggregate original issue amount.
- A clear indication that the district has no obligation for the debt beyond the resources provided by related leases or loans.

^{4/} If you prepare comparative financial statements show the amortization amounts beginning with the year proceeding the year of your annual report. List the payments by year for the next five years and then in five-year increments.

^{5/} You may present separate columns for different types of debt.

^{6/} You may want to disclose the details of your districts compliance with some restrictions, such as the ratio of operating revenues to debt service requirements. Also, consider disclosing the detail of changes in restricted assets.

^{7/} For more details see GASBS 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues*, paragraph 21.

The disclosures in this paragraph are not required for legally separate entities that report as stand-alone business-type activities whose operations are financial primarily by a single major revenue source.

If a specific revenue stream is pledged as security for multiple debt issuances, the required disclosures may be combined in a single note.

For this disclosure, pledged revenues recognized during the period may be presented net of specified operating expenses, based on the provisions of the pledged agreement; however, the amount should not be netted in the financial statements.

This advance refunding was undertaken to (reduce total debt service payments over the next ____ years by \$_____, etc.) and resulted in an economic gain/loss of \$_____.^{1/}

Debt service on these bonds is met by cash and investments held by the refunding trustee(s). As of December 31, 20__, the trustee(s) was (were) holding cash and investments of \$_____ which are expected to fund debt service fully. These refunded bonds constitute a contingent liability of the district but are excluded from the financial statements.

b. Changes in Long-Term Liabilities

During the year ended December 31, 20__, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/20	Additions^{2/}	Reductions^{2/}	Ending Balance 12/31/20	Due Within One Year
Bonds payable:					
Revenue Bonds	\$	\$	\$	\$	\$
Less Deferred amounts:					
For issuance discounts					
On refunding					
Total bonds payable:					
Capital leases					
Compensated absences					
Claims and judgments					
OPEB					
Total long-term liabilities					

NOTES TO PREPARER: (The portions of these notes in parentheses are alternatives or additions you may need to use, depending on your particular circumstances.)

^{1/} The economic gain or loss on a refunding transaction is calculated in the following manner:

- The present value of the debt service payments related to the refunding debt is calculated using the following formula:

Face amount of bonds
+ Premium (or original issue discount)
+ Accrued interest
- Costs not recoverable through escrow earnings

Present value of debt service payments on refunding debt;

- A calculation is made to determine what effective interest rate applied to the debt service payments on the refunding bonds would result in the present value determined in the previous calculation;
- The effective interest rate calculated for the refunding bonds is then applied to the debt service on the refunded bonds to calculate the present value of debt service on the latter;
- The difference between the present value of the two debt service streams (refunding debt and refunded debt) constitutes the economic gain or loss on the transaction.

For more details see GASBS 7, *Advance Refundings Resulting in Defeasance of Debt* and GASBS 23, *Accounting and Financial Reporting for Refundings of Debt Reported in Proprietary Funds*.

^{2/} Additions and reductions must be reported separately rather than netted.

NOTE 9 – RESTRICTED NET ASSETS

The district's statement of net assets reports \$_____ of restricted net assets, of which \$_____ is restricted by enabling legislation.^{1/}

NOTES TO PREPARER:

^{1/} The district should evaluate the legal enforceability of the enabling legal restrictions on an annual basis.

If the restrictions were determined to be replaced by new ones, the net assets should be reported as *restricted* for the new purpose from the period of change forward.

If the restrictions were determined not to be legally enforceable, then they should be reported as *unrestricted* from the time of such determination forward.

If the net assets were used for purposes not specified by enabling legislation, the reporting will vary depending if such restrictions are enforceable or not. If the restrictions are determined to be legally enforceable, the net assets should continue to be reported as *restricted*; otherwise, as *unrestricted*.

For more details see the GASBS 46, *Net Assets Restricted by Enabling Legislation*.

NOTE 10 – PENSION PLAN

Substantially all (district) full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) This annual benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, which is increased three percent annually. Plan 1 members may also elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of two percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at one percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or they may retire at age 55 with ten years of service. PERS Plan 3 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

There are 1,192 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	73,122
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	27,267
Active Plan Members Vested	105,212
Active Plan Members Nonvested	56,456
Total	262,057

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapter 41.40 RCW and Chapter 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	5.31% **	5.31% **	5.31% ***
Employee	6.00% ****	3.90% ****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 3.90% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both (district) and the employees made the required contributions. The (district's) required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2009	\$	\$	\$
2008	\$	\$	\$
2007	\$	\$	\$

NOTE 11 – SEGMENT INFORMATION^{1/}

NOTES TO PREPARER:

^{1/} For purposes of this disclosure, a segment is an identifiable activity or grouping of activities reported as or within an enterprise fund or another stand-alone entity. Segment disclosure is required for activities that meet all three of the following criteria:

1. *The activity must be identifiable.* An activity is identifiable if it has a specific revenue stream and related expenses and gains and losses that are accounted for separately.
2. *The activity must have revenue-supported debt outstanding.* As of the end of the fiscal period, the activity must have one or more bonds or other debt instrumental (e.g., certificates of participation) outstanding with a revenue pledged in support of that debt. (Conduit debt is not a consideration for this purpose).
3. *The activity must be externally required to maintain separate accounts.* An external party (e.g., pursuant to a bond indenture) must require separate accounting of all of the following items related to the activity: revenues, expenses, gains, losses, assets, and liabilities.

Segment disclosure requirements should be met by providing condensed financial statement in the notes:

- a. Type of goods or services provided by the segment.
- b. Condensed statement of net assets:
 - (1) Total assets-distinguishing between current assets, capital assets, and other assets. Amounts receivable from other funds or component units should be reported separately.
 - (2) Total liabilities-distinguishing between current and long-term amounts. Amounts payable to other funds or component units should be reported separately.
 - (3) Total net assets-distinguishing among restricted (separately reporting expendable and nonexpendable components); unrestricted; and amounts invested in capital assets, net of related debt.
- c. Condensed statement of revenues, expenses, and changes in net assets:
 - (1) Operating revenues (by major source).
 - (2) Operating expenses. Depreciation (including any amortization) should be identified separately.
 - (3) Operating income (loss).
 - (4) Nonoperating revenues (expenses) – with separate reporting of major revenues and expenses.
 - (5) Capital contributions and additions to permanent and term endowments.
 - (6) Special and extraordinary items.
 - (7) Transfers.
 - (8) Change in net assets.
 - (9) Beginning net assets.
 - (10) Ending net assets.
- d. Condensed statement of cash flows:
 - (1) Net cash provided (used) by:
 - (a) Operating activities.
 - (b) Noncapital financing activities.
 - (c) Capital and related financing activities.
 - (d) Investing activities.
 - (2) Beginning cash and cash equivalent balances.
 - (3) Ending cash and cash equivalent balances.

NOTE 12 – DEFERRED DEBITS (CREDITS)

In accordance with generally accepted accounting principles for regulated businesses, the district has deferred (losses, costs, receipts, etc.) of \$_____ in 20__ which will be amortized using the _____ method over _____ years. These (losses, costs, receipts, etc.) resulted from (give brief description). These (charges or credits) would have been included in net income for 20__ in nonregulated businesses, but for rate-making purposes they are treated as applicable to future periods.

NOTE 13 – ACCOUNTING CHANGES^{1/}

NOTE 14 – EXTRAORDINARY/SPECIAL ITEMS^{2/}

NOTES TO PREPARER: (The portions of these notes in parenthesis are alternatives or additions you may need to use, depending on your particular circumstances.)

^{1/} Any material changes in accounting policies (see Note 1) that could affect comparisons between two years' financial statements should be disclosed here.

^{2/} Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence.

Thus, both of the following criteria should be met to classify an event or transaction as an extraordinary item:

- a. Unusual nature - the underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the district.
- b. Infrequency of occurrence - the underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future.

Special items are significant items subject to management's control that meet one but not both of the criteria used for identifying extraordinary items (e.g., early retirement, forgiveness of substantial debt, etc.).

Descriptive captions and the amounts for individual extraordinary/special events or transactions should be presented, preferably on the face of the operation statement, if practicable; otherwise disclosure in related notes is acceptable. The nature of an extraordinary/special event or transaction and the principal items entering into the determination of an extraordinary gain or loss should be described.

NOTE 15 – PRIOR PERIOD ADJUSTMENTS^{1/}

NOTE 16 – CONTINGENT LIABILITIES AND LITIGATION^{2/}

NOTE 17 – SUBSEQUENT EVENTS^{3/}

NOTES TO PREPARER:

^{1/} Adjustments related to prior periods (and thus excluded from the operating statements for the current period) are limited to: (a) corrections of material errors in the financial statements of a prior period; and (b) other material adjustments which meet the criteria for prior period adjustments contained in the prescribed system of accounts. The circumstances surrounding each such adjustment should be separately explained in these footnotes.

^{2/} This note should disclose any material contingent liabilities. These are items which are uncertain now but may result in liabilities in the future, such as pending lawsuits, guarantees, etc. The following are samples of possible contingent liabilities:

The district has been named defendant in a lawsuit seeking damages of \$500,000 as a result of alleged unfair labor practices. Counsel is of the opinion that the defendants should prevail. All other lawsuits are either adequately covered by insurance or would not materially affect the financial statements.

On June 30, 2008, the utility completed its sewer reconstruction using an EPA grant. Total expenses for the project were \$750,891. As part of the grant agreement, the utility must reimburse the grantor (EPA) for any disallowed costs. To date, the project has not been audited to determine if any costs will be disallowed. The utility expects such costs, if any, will be immaterial.

^{3/} This note should disclose any events that occurred after the financial statement date that has a material effect on the operations of the district.

NOTE 18 – JOINT VENTURES^{1/}

NOTES TO PREPARER:

^{1/} The definition of joint ventures and accounting methods are discussed in the GAAP BARS Manual, Part 3, Chapter 5.

The requirements listed below are necessary regardless of whether or not there is equity interest.

The note should provide the following information:

1. General description of the joint venture including:
 - a. Information about ongoing financial interest or ongoing financial responsibility,
 - b. If applicable, information about equity interest,
 - c. Information regarding the performance of the joint venture to help users evaluate if the joint venture may cause additional benefit or burden to the participating members in the future.
2. Information about availability of separate financial statements of the joint ventures (addresses).

The participating district should also disclose information regarding related party transactions.

If the district participated in a jointly governed organization, the notes should provide any relevant information on related party transactions.

NOTE 19 – RISK MANAGEMENT^{1/}

NOTES TO PREPARER:

^{1/} The district should disclose:

- a description of the types of risk the district faces and how it is handling those risks;
- any significant reduction in insurance coverage from the previous year (by risk category); and
- an indication whether the amount of settlements exceeded insurance coverage for each of the past three fiscal years.

If the district participates in a risk pool, it should describe that arrangement. The description should specifically address the rights and responsibilities of the government and the pool.

If the district retains some risk of loss, it should make the following disclosures:

- a description of what the liability for unpaid claims represents and how it is calculated (this discussion should mention whether nonincremental claims adjustment expenses have been included as part of the liability for claims and judgments);
- if the district exercises its option to discount claims liabilities or has entered into any structured settlements, the nondiscounted carrying amount of any liabilities reported at a discounted value and the range for interest rates used for discounting;
- claims defeased through annuity contracts (unless beneficiaries have signed an agreement releasing the government from all further obligation, and the likelihood of further payments is remote); and
- a tabular reconciliation of the claims liability for both the current fiscal year and the prior fiscal year, using the following format:
 - claims liability (beginning of year)
 - claims incurred during the year
 - changes in the estimate for claims of prior periods
 - payments on claims
 - other (for example, change in the methodology used to estimate claims)
 - claims liability (end of year)

NOTE 20 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS^{1/}

(No SAMPLE TEXT is provided because circumstances will be unique in each case. See Notes to Preparer.)

Under GASBS 43, disclosures must include:

- Plan Description
- Summary of Significant Accounting Policies
- Contributions and Reserves
- Funded Status and Funding Progress
- Actuarial Methods and Assumptions

Under GASBS 45, disclosures must include:

- Plan Description
- Funding Policy
- Annual OPEB Cost
- Net OPEB Obligation (for the current year and each of the two preceding year)
- Funded Status

NOTES TO PREPARER:

^{1/} Other postemployment benefits (OPEB) are benefits provided by an employer to plan participants, beneficiaries, and covered dependents through a plan or other arrangement that is separate from a plan to provide retirement income, except for postemployment health care benefits which are always OPEB. In addition to postemployment health care benefits, OPEB may include life insurance, disability income, tuition assistance, legal services, and other assistance programs. OPEB do not include social security benefits financed through FICA payroll taxes. However, if the employer pays postemployment contributions applicable to retirees for additional Medicare benefits, those benefits should be considered postemployment health care benefits and should be included in all relevant disclosures. Whether a particular type of benefit should be consider a pension benefit or OPEB depends on how the benefit is provided.

Because of the diversity of plan types, administration, and methods used to report them GASB has duplicated disclosure requirements in GASB Statements 43 and 45. When entities are subject to both statements they should not duplicate disclosures.

For information on which, if any, of the standards apply to your entity and implementation dates refer to the GAAP BARS Manual, Part 3, Chapter 12, Interpretation 21, *Other Postemployment Benefits*, located on the SAO website at www.sao.wa.gov.

Detailed information on disclosure requirements for OPEB can be found in the GAAP BARS Manual, Part 4, Chapter 6, Note 19, *Other Postemployment Benefit (OPEB) Plans*.

NOTE 21 – TERMINATION BENEFITS^{1/}

NOTE 22 – PLEDGES AND SALES OF FUTURE REVENUES^{2/}

NOTE 23 – POLLUTION REMEDIATION OBLIGATIONS^{3/}

NOTE 24 – OTHER^{4/}

NOTES TO PREPARER:

^{1/} Termination benefits are benefits provided by employers to employees as an inducement to hasten the termination of services, or through voluntary termination, or a consequence of involuntary termination. These benefits include severance pay, continued health care coverage, career counseling, and outplacement services.

In the period in which an employer becomes obligated for termination benefits the employer should make the following disclosures:

1. A description of the types of benefits provided.
2. The number of employees affected.
3. The time period over which the benefits are expected to be provided.
4. The cost of termination benefits it is not identifiable on the face of the financial statements.
5. Change in actuarial accrued liability for pension and OPEB (if affected).
6. Method (i.e. discounted present value) and assumptions (discount rate, healthcare cost trend rate, etc.) used for calculation of the liability.
7. If the cost of benefits cannot be estimated this should be disclosed.

Measurement and recognition:

When benefits are provided upon termination recognition of the liability and expense also needs to be reported in the financial statements. Employers need to measure the components of healthcare related benefits separately from non health benefits. Health care benefits should be discounted to present value using a projection of benefits, healthcare cost trend data and discount rate. Generally the cost of non healthcare related benefits are calculated as the discounted present value of expected future benefit payments. For a detailed discussion of the liability and expense measurement and recognition see GASB Statement 47, *Accounting for Termination Benefits*.

^{2/} For required disclosures refer to the GASBS 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, paragraphs 21 and 22.

^{3/} These note disclosures are required by GASBS 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement becomes effective for fiscal periods beginning after December 15, 2007.

Required not disclosures

1. For recognized pollution remediation liabilities and recoveries of pollution remediation outlays, governments should disclose the following:

NOTES TO PREPARER (Notes 23 and 24 continued):

- a. The nature and source of pollution remediation obligations (e.g., federal, state, or local laws or regulations).
 - b. The amount of the estimated liability (if not apparent from the financial statements), the methods and assumptions used for the estimate, and the potential for changes due to, for example, price increases or reductions, technology, applicable laws or regulations.
 - c. Estimated recoveries reducing the liability.
2. For pollution remediation liabilities that are not yet recognized because they are not reasonably estimable, governments should disclose a general description of the nature of the pollution remediation activities.

Additional information on pollution remediation obligations can be found in the GAAP BARS Manual, Part 4, Chapter 6, Note 22, *Pollution Remediation Obligations*.

The GAAP BARS Manual is located in the SAO website at www.sao.wa.gov.

- ^{4/} Provide any additional disclosures that may be needed for a fair presentation of the district's financial statements (e.g., related party transactions, etc.).

**REQUIRED SUPPLEMENTARY
INFORMATION (RSI)**

If applicable, present the following information as RSI:

- ① management discussion and analysis (MD&A) (see page 3-1)
- ② information about infrastructure assets reported under the modified approach
- ③ trend data on pension funding (GASBS 25 and 27)
- ④ public entity risk pools – revenue and claims development data (GASBS 10 and 30)
- ⑤ other postemployment benefits (OPEB) plans (GASBS 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*)^{1/}

If the district prepared comparative financial statements^{2/} the RSI has to include information for both years.

^{1/} The disclosure requirements regarding OPEB plans may be obtained from the GAAP BARS Manual located on the SAO website at www.sao.wa.gov.

^{2/} Comparative financial statements mean two complete sets of financial statements for each of comparative year. Each set should contain basic financial statements (including notes) and RSI (including MD&A). Both years may be combined in one presentation; however each element (MD&A, basic financial statements, notes, and RSI) have to include information for both years.

THIS PAGE LEFT BLANK INTENTIONALLY.

SUPPLEMENTAL SCHEDULES

Table of Contents

	<u>Page</u>
Schedule 09	Long-Term Debt9-3
Schedule 16	Expenditures of Federal Awards and State/Local Financial Assistance.....9-10
Schedule 19	Labor Relations Consultant(s).....9-23
Schedule 21	Risk Management9-25
Schedule 22	Annual Questionnaire for Audit Assessment9-37

THIS PAGE LEFT BLANK INTENTIONALLY.

SCHEDULE 09 – LONG-TERM DEBT

If all the information required in this schedule is disclosed in the notes to financial statements, your district does not need to prepare a separate schedule.

This schedule provides information about the **long-term debt** of your district. It also used to corroborate the amounts of long-term debt shown on any balance sheets and the amounts of debt service (principal only) shown on operating statements.

There are three categories of debt: general debt, revenue debt and assessment debt. A separate debt schedule should be prepared only for each category of debt. The appropriate category should be indicated at the top of each page.

Any debt category may contain numerous kinds of debt instruments. For example, general debt is not limited to general obligation bonds but can also contain bond anticipation notes, claims and judgments, installment sales contracts, lease-purchase agreements, etc.

As a practical matter, it is permissible to classify capital leases, including lease-purchase agreements, in enterprise funds as *revenue debt* and to classify all other capital leases as general debt. The existence of a fiscal funding clause (which allows termination of a lease if revenue sources become inadequate) has no effect on the classification of a lease as general or revenue debt.

Assessment debt is distinguished by those whom it will benefit, namely, properties within a specific geographical area (i.e., a local improvement district or LID). The resources to pay assessment debt will come (at least partly) from assessments levied on the benefiting properties. These benefiting properties are called LIDs (local improvement districts), RIDs (road improvement districts), ULIDs (utility local improvement districts), and some other types such as sidewalk improvement districts.

Liability for deferred compensation and liability for employee leave must be included in the financial statements but is not to be included on the Schedule 09. Detailed instructions for preparing the Schedule 09 follow. There should be a separate schedule for general debt, revenue debt and refunded debt of the reporting entity.

This schedule may be submitted in any format as long as the required information is provided.

IDENTIFYING NUMBER AND DESCRIPTION

The numbers and descriptions below must be used on Schedule 09. Typical debt instruments are listed within each category of debt. The first three digits of the identification numbers correspond to the BARS general ledger accounts, which contain detailed descriptions of these instruments.

NOTE: For the Schedule 09, list all bonded debt at par. Include principal only on all debt. Do not include any interfund debt, liabilities for deferred compensation, employee leave benefits or any short-term debt (less than one year). Generally, construction contracts are not considered debt except to the extent the contractor has performed.

I.D. No. GENERAL DEBT - Debt backed by the government's full taxing authority.

- 251.11 General Obligation Bonds for Capital Purposes - (No Vote Required)
- 251.12 General Obligation Bonds for Capital Purposes - (Vote Required)
- 251.15 General Obligation Bonds for Capital Purposes - Advance Refunding - Defeasance Method
- 251.16 General Obligation Bonds for Capital Purposes - Advance Refunding - Crossover Method
- 251.41 General Obligation Bonds for M and O Purposes - (No Vote Required)
- 251.42 General Obligation Bonds for M and O Purposes - (Vote Required)
- 251.45 General Obligation Bonds for M and O Purposes - Advance Refunding - Defeasance Method
- 251.46 General Obligation Bonds for M and O Purposes - Advance Refunding - Crossover Method
- 263.11 Claims and Judgments (Long-Term Only)
- 263.51 Installment Sales Contracts
- 263.53 Lease-Purchase Agreements
- 263.55 Other Capital Leases
- 263.61 Anticipation Notes and Warrants for Capital Purposes (Including Bond Anticipation Notes and Tax Anticipation Notes)
- 263.64 Anticipation Notes and Warrants for M and O Purposes (Including Bond Anticipation Notes and Tax Anticipation Notes)
- 263.66 Other Notes Payable for Capital Purposes
- 263.68 Other Notes Payable for M and O Purposes
- 263.71 Arbitrage Rebate Tax
- 263.81 Due to Other Governmental Units for Capital Purposes (Long-Term Only. An Example is the Amount Due to the State Retirement System for Pension Systems Prior to PERS. Include state revolving loans.)
- 263.84 Due to Other Governmental Units for M and O Purposes (Long-Term Only)
- 263.91 Miscellaneous Long-Term General Debt for Capital Purposes
- 263.94 Miscellaneous Long-Term General Debt for M and O Purposes
- 263.96 LOCAL Program

I.D. No. REVENUE DEBT - Debt backed by specific revenue sources.

- 252.11 Revenue Bonds for Capital Purposes - (No Vote Required)
- 252.12 Revenue Bonds for Capital Purposes - (Vote Required)
- 252.15 Revenue Bonds for Capital Purposes - Advance Refunding - Defeasance Method
- 252.16 Revenue Bonds for Capital Purposes - Advance Refunding - Crossover Method
- 252.41 Revenue Bonds for M and O Purposes - (No Vote Required)
- 252.42 Revenue Bonds for M and O Purposes - (Vote Required)
- 252.45 Revenue Bonds for M and O Purposes - Advance Refunding - Defeasance Method
- 252.46 Revenue Bonds for M and O Purposes - Advance refunding - Crossover Method
- 263.12 Claims and Judgments (Long-Term Only)
- 263.41 Revenue Warrants (Coupon Warrants) for Capital Purposes
- 263.44 Revenue Warrants (Coupon Warrants) for M and O Purposes
- 263.52 Installment Sales Contracts
- 263.54 Lease-Purchase Agreements
- 263.56 Other Capital Leases
- 263.62 Anticipation Notes and Warrants for Capital Purposes (Including Bond Anticipation Notes and Tax Anticipation Notes)
- 263.65 Anticipation Notes and Warrants for M and O Purposes (Including Bond Anticipation Notes and Tax Anticipation Notes)
- 263.67 Other Notes Payable for Capital Purposes
- 263.69 Other Notes Payable for M and O Purposes
- 263.72 Arbitrage Rebate Tax
- 263.82 Due to Other Governmental Units for Capital Purposes (Long-Term Only. Include state revolving loans.)
- 263.85 Due to Other Governmental Units for M and O Purposes (Long-Term Only)
- 263.92 Miscellaneous Long-Term Revenue Debt for Capital Purposes
- 263.95 Miscellaneous Long-Term Revenue Debt for M and O Purposes

NOTE: M and O refers to Maintenance and Operation.

I.D. No. **ASSESSMENT DEBT** - Debt secured by assessments levied against a specific group of properties.

253.11 Special Assessment Bonds - LID
253.12 Special Assessment Bonds - ULID
253.13 Special Assessment Bonds - RID
253.14 Special Assessment Bonds - Other
253.15 Special Assessment Bonds - Advance Refunding - Defeasance Method
253.16 Special Assessment Bonds - Advance refunding - Crossover Method
263.43 LID Warrants
263.63 LID Notes
263.99 Miscellaneous Long-Term Assessment Debt

IDENTIFYING NUMBER - Include appropriate number (see listing on previous page).

PURPOSE - Describe the purpose(s) for which the debt proceeds were spent.

DATE OF ORIGINAL ISSUE / DATE OF MATURITY) - These columns are self-explanatory.

(1) BEGINNING OUTSTANDING DEBT This column should include the amount of debt that was owed at the beginning of this period. The amount shown should equal to the last year ending balance. If there is a discrepancy, attach an explanation.

(2) AMOUNT ISSUED - CURRENT PERIOD In this column report the entire amount of any new debt or any additional debt issued (or borrowed) during the current period. For example, assume a G.O. bond authorized in the previous year at \$5,000,000, with \$4,000,000 issued that year and an additional \$500,000 issued in the report year. Under these circumstances, this column should show \$500,000.

(3) AMOUNT REDEEMED THIS PERIOD In this column, report the amount of debt that was paid this period. Do not include interest paid on the redeemed debt. The total amount in this column should equal to long-term debt payments shown on the Schedule 05.

(4) ENDING OUTSTANDING DEBT In this column, report the amount of debt that is owed at the end of this period.

Ending outstanding debt, column (4), is calculated by adding the amounts in columns (1) and (2) and subtracting redeemed debt in column (3).

$$(1) + (2) - (3) = (4)$$

Total the last five columns for each debt type.

Schedule 09
Page 1 of 3

X G.O. Debt
 ___ Revenue Debt
 ___ Assessment Debt

For the Year Ended December 31, 2009[illegible]

SAMPLE DISTRICT
(DISTRICT)

___ G.O. Debt

X Revenue Debt

___ Assessment Debt

SCHEDULE OF LONG-TERM DEBT

For the Year Ended December 31, 2009

				(1)	(2)	(3)	(4)
I.D. NO.	PURPOSE	DATE OF ORIGINAL ISSUE	DATE OF MATURITY	BEGINNING OUTSTANDING DEBT 01/01/2009 (ENDING OUTSTANDING DEBT BALANCE FROM PRIOR YEAR)	AMOUNT ISSUED IN CURRENT YEAR	AMOUNT REDEEMED IN CURRENT YEAR	ENDING OUTSTANDING DEBT 12/31/2009 (1) + (2) - (3)
252.11	Refunding 1998 Revenue Bonds	1/99	1/19	\$1,400,000	X	\$450,000	\$950,000
263.52	New Main	8/96	8/06	\$130,000	X	\$30,000	\$100,000
	Total Revenue Debt			\$1,530,000	X	\$480,000	\$1,050,000

SAMPLE DISTRICT
(DISTRICT)

☐ G.O. Debt

☐ Revenue Debt

☒ Assessment Debt

SCHEDULE OF LONG-TERM DEBT

For the Year Ended December 31, 2009

				(1)	(2)	(3)	(4)
I.D. NO.	PURPOSE	DATE OF ORIGINAL ISSUE	DATE OF MATURITY	BEGINNING OUTSTANDING DEBT 01/01/2009 (ENDING OUTSTANDING DEBT BALANCE FROM PRIOR YEAR)	AMOUNT ISSUED IN CURRENT YEAR	AMOUNT REDEEMED IN CURRENT YEAR	ENDING OUTSTANDING DEBT 12/31/2009 (1) + (2) - (3)
253.12	Transmission Main	11/94	11/05	\$725,000	X	\$125,000	\$600,000
	Total Assessment Debt			\$725,000	X	\$125,000	\$600,000

MCAG NO. _____

Schedule 09

Page _ of _

(DISTRICT)

___ G.O. Debt

___ Revenue Debt

___ Assessment Debt

SCHEDULE OF LONG-TERM DEBT

For the Year Ended December 31, 20__

				(1)	(2)	(3)	(4)
I.D. NO.	PURPOSE	DATE OF ORIGINAL ISSUE	DATE OF MATURITY	BEGINNING OUTSTANDING DEBT 01/01/20__ (ENDING OUTSTANDING DEBT BALANCE FROM PRIOR YEAR)	AMOUNT ISSUED IN CURRENT YEAR	AMOUNT REDEEMED IN CURRENT YEAR	ENDING OUTSTANDING DEBT 12/31/20__ (1) + (2) - (3)

SCHEDULE 16 - EXPENDITURES OF FEDERAL AWARDS AND STATE/LOCAL FINANCIAL ASSISTANCE

Caution: If your government expends \$500,000 or more in federal awards in a year, you must contact the State Auditor's Office and arrange for a *single audit* under OMB Circular A-133. Further, you must submit your single audit reporting package to the federal government within nine months after the end of your fiscal year. All governments that need a single audit must prepare financial statements even if they are not otherwise required to under the BARS Manual.

The schedule of expenditures of federal awards and state/local financial assistance is an essential document for planning and conducting the audit of your organization. It also serves to provide assurance to those agencies that award financial assistance that their programs or grants were included in the audit. It is important to prepare this schedule carefully to ensure that it is accurate and complete. Any program or grant omitted from this schedule will be considered unaudited. This schedule should be prepared on the same basis of accounting as the financial statements.

Schedule 16 is comprised of two schedules: (1) Schedule of Expenditures of Federal Awards (SEFA) and (2) Schedule of State and Local Financial Assistance.

Schedule of Expenditures of Federal Awards

Include on this schedule all expenditures of federal awards that were received directly from a federal agency and indirectly (pass-through) from a state agency or local government.

The SEFA should be prepared using the same basis of accounting as your financial statements. For example, if you prepare your financial statements using the cash basis of accounting, you should report your expenditures of federal awards using the cash basis.

Report grant-related expenditures in the year they take place (even if you will not be reimbursed by the grantor until the following year). Do not report amounts on this schedule based on the date(s) that funds are received from the grantor (e.g., cash advances or reimbursement of costs). *Federal awards expended* include the following:

- Expenditure transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations. (This includes expenditures of CFDA 10.665: Title I – Schools and Roads, Title II – Special Projects on Federal Land, Title III – County Projects;
- Indirect costs claimed for reimbursement using an indirect cost rate or cost allocation plan;
- Disbursement of grant funds that your entity passed through to subrecipients;
- Receipt of loan proceeds under loan and loan guarantee programs (refer to loan valuation guidance below);
- Receipt of federal property (e.g., equipment and supplies) and surplus property;
- Receipt or use of program income (refer to program income guidance below);
- Receipt of non-cash assistance such as food commodities and vaccines;
- Disbursement of amounts entitling a non-federal entity to an interest subsidy; and
- Insurance contracts in force during the period under audit.

American Recovery and Reinvestment Act (ARRA) of 2009

Many new Catalog of Federal Domestic Assistance (CFDA) numbers were created under ARRA. The federal government has stated that all expenditures funded by ARRA must be listed in a separate row in the SEFA and the title of the award should begin with the prefix "ARRA".

Title 2, Code of Federal Regulations, Section 176.210

... (b) For recipients covered by ... OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) ... This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA ... and inclusion of the prefix “ARRA-” in identifying the name of the Federal program on the SEFA

Valuation of Federal Loans

According to federal regulations, the amount reported for federal loans is based on the amount of loan proceeds received during the year (rather than the amount expended). Use the following guidelines to calculate the value of *federal awards expended* under loan programs:

- (1) Amount of new loans received during the fiscal year, plus
- (2) Balance of loans from previous years for which the federal government imposes *continuing compliance requirements*, plus
- (3) Any interest subsidy, cash, or administrative cost allowance received.

Loan Advances: Some loans are made in advance of any project-related expenditures. Because the federal government is at risk for these loans, the regulations ask that the amount of total proceeds received be reported on the SEFA even if you have not spent all the funding.

Reimbursement Basis: Some loans are funded on a reimbursement basis. That is, the borrower expends its own funds and then makes a request to the lender for loan proceeds. In this situation, the amount of proceeds received will typically match the amount expended each year. If the timing is such that you submit a request for loan funding at year end, but do not technically receive the proceeds until the following year, we recommend reporting the loan amount in the year requested.

You are considered to have a *continuing compliance requirement* if the grantor continues to impose a requirement over the outstanding loan balance in any one of the following 14 areas during the year:

1. Activities Allowed or Unallowed
2. Allowable Costs/Cost Principles
3. Cash Management
4. Davis-Bacon Act
5. Eligibility
6. Equipment and Real Property Management
7. Matching, Level of Effort, Earmarking
8. Period of Availability of Federal Funds
9. Procurement and Suspension and Debarment
10. Program Income
11. Real Property Acquisition and Relocation Assistance
12. Reporting
13. Subrecipient Monitoring
14. Grant-Specific Special Tests and Provisions

NOTE: If the laws, regulations, and the provisions of contracts or grant agreements pertaining to your loan impose no continuing compliance requirements other than to repay the loan, the loan does not have to be reported on the SEFA.

USDA Interim Financing

CFDA 10.760 WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES
CFDA 10.766 COMMUNITY FACILITIES LOANS AND GRANTS

After the USDA has made a commitment on a loan as evidenced by an approved “request for obligation of funds”, the borrower may obtain interim financing from commercial sources (e.g., a bank loan) during the construction period. Expenditures from these commercial loans which will be repaid from a USDA loan should be considered Federal awards expended, included in determining Type A programs, and reported in the Schedule of Expenditures of Federal Awards.

FEMA Disaster Assistance - CFDA 97.036

Some grantees might experience a long delay from the time they incur costs to recover from a disaster and the date they actually are approved to receive federal disaster relief funding. As with other federal awards, grantees should report the disaster-related costs in the year they are incurred. However, if the grantee’s project cost worksheets are not officially approved by the deadline for submitting its annual report and SEFA to the SAO, it will be acceptable to include these costs in the subsequent year’s SEFA (include a footnote to explain the situation). Example: Disaster costs are paid in December 2008. The 2008 Annual Report is due to the SAO by May 31, 2009. FEMA does not approve the project worksheets until July 2009. Report the FEMA award in the 2009 SEFA.

Indirect Costs

Include in the SEFA any indirect costs that claimed for reimbursement using an indirect cost rate or cost allocation plan. Revenues received from indirect cost recoveries should be coded as federal revenue.

Program Income

Many grantees earn program income while administering federal programs or projects. The receipt of program income should be reflected on the SEFA depending on the method used when accounting for program income. **Some federal agencies differ on the treatment of program income on the SEFA. Therefore, it is recommended that you consult with the grantor about how it prefers the income to be reported.**

Deductive Method – This method requires the grantee to use the income as an offset against expenditures before requesting additional grant funding. For SEFA presentation, report the total grant expenditures net of program income. It is recommended that a footnote be added to disclose the amount of income that was applied toward grant costs.

Additive Method – For this method, grantees are permitted to use the income for program/project purposes in addition to the original grant award. The general rule is that expenditures from this income should be reported on the SEFA in addition to expenditures made from the original grant.

Unless otherwise specified in your grant agreement, interest earned on cash advances or idle grant funds is not considered program income. They should be recorded as interest revenue.

Revolving Loans

If your entity administers a revolving loan program where federal funds are lent to third parties, repaid, and then lent to again to other parties, the repayment of principal and interest is considered program income (revenues) and loans of such funds to eligible recipients are considered expenditures. For purposes of SEFA presentation, report the amount of loans you made during the year. This includes all loans that are funded by the original grant and program income.

However, be sure to check the terms of your grant award because some federal grantors have different rules for presenting revolving loans on the SEFA. For example, CFDA 11.307 (Department of Commerce, Economic Assistance Revolving Loans) requires grantees to report the balance of loans outstanding at year-end, instead of the amounts lent.

Accounting for Revolving Loans

The original grant for the loan program should be coded as federal direct or indirect grant.

A loan to an entity is a *balance sheet* transaction and the government should debit *Loan Receivables* and credit *Cash*. A repayment of the loan requires debiting *Cash* and crediting *Loan Receivables* and *Interest Revenue*.

There are no BARS codes specifically assigned to grants' program revenues (neither principal nor interest). Although the repayment of principal is not considered revenue from the GAAP accounting perspective, it has to be considered as such for the purpose of SEFA. The expenditures from the revolving loan grant should include expenditures from the initial grant and subsequent repayments of the loans, including interest generated by the loan.

Equipment and Supplies

The receipt of federally-funded equipment, materials or supplies that are paid for by another agency is considered a non-cash award that must be reported on the SEFA. The amount to be reported is the fair market value (or other amount designated by the grantor) on the date it is received by your entity.

Other Non-cash Assistance

Food Stamps, food commodities, vaccines, donated property (including surplus), and other non-cash assistance should be valued at fair market value at the time of receipt or the assessed value provided by the federal agency. The notes to the schedule of expenditures of federal awards should disclose the nature of the amounts reported.

Matching/Cost Sharing

The amount contributed by your entity in the form of matching funds or in-kind match should not be reported on the SEFA - only the federal expenditures related to the program/project are to be reported.

Employer Identification Number (EIN) for Federal Grant Recipients

Recipients of federal funds must arrange to have a single audit in accordance with OMB Circular A-133 if they expend \$500,000 or more in federal awards in a year. Most federal grantors define a *recipient* according to the federal Employer Identification Number (EIN). That is, the grantor makes its awards to each grantee based on the EIN, rather than entity name. For example, if a small fire district uses the county's EIN for payroll tax purposes, and also applies for a federal grant using the county EIN, some federal grantors will make the official grant award to the county. As a result, the grantor expects the award to be included in the county's Schedule of Expenditures of Federal Awards (Schedule 16) and thus subject to audit at the county. Further, at the conclusion of a single audit, the fire district's audit will be misfiled with the federal clearinghouse because the county's EIN was listed on the Data Collection Form. This puts the county in a difficult position with the federal government and can cause additional audits. Therefore, it is recommended that all special purpose districts without an EIN make application for this number with the IRS (Form SS-4) and use this number when applying for grants as well as IRS tax purposes. The district also should consult with its county auditor and/or treasurer for the protocol concerning payroll taxes.

Instructions for Preparing the Schedule of Expenditures of Federal Awards

The following are instructions for each column of the schedule. An example of a completed schedule follows the instructions.

- Column 1 Provide the name of the federal grantor agency or organization. If you receive federal funds as a pass-through award, identify the pass-through agency. Please clearly distinguish between federal agencies and state agencies with similar names or initials.
- Column 2 Provide the official name of the federal award. Please try to avoid using nicknames. A list of official titles can be obtained from the CFDA website at www.cfda.gov/.
- Column 3 List the applicable CFDA number for each award. This is a five digit (XX.XXX) identification number assigned by the federal government and published in the Catalog of Federal Domestic Assistance. This number must be provided for all federal awards received either directly from a federal agency or indirectly through a state agency or local government.

Every effort should be made to obtain CFDA numbers. Research the program before you conclude a CFDA number does not exist. Steps to take:

- Contact the grantor.
- Research the CFDA website (including the Historical Index).
- Contact your local audit team.
- Submit a question to the SAO HelpDesk.

Follow the guidance below if, after researching the number, you conclude that a CFDA number does not exist.

- In the first two spaces enter the Federal Agency's two digit prefix (see list of agencies on next page).
- Follow the two digit prefix with the contract or grant number.

Example: Assume your entity received an award with no CFDA number from the U.S. Department of Health and Human Services, but had a contract number of "035560A". You would enter the CFDA number on the SEFA as "93.035560A".

- Column 4 Use this column to report contract or grant numbers assigned by federal or state agencies, in addition to the CFDA number. If a number is not available, write **N/A**.
- Column 5 Use these columns to report current year expenditures (determined on the same basis of accounting as the financial statements). See requirements for valuing loans and noncash assistance above.

Expenditures from Pass-Through Awards - Enter the amount of expenditures for federal assistance received as a pass-through award from a state agency, local government, etc. When calculating the amount expended for each program, be sure to include both direct costs and indirect costs. If you are making a subaward to another entity, these amounts should also be reported as expenditures.

Expenditures from Direct Awards – Enter the amount of expenditures for assistance received directly from a federal agency. When calculating the amount expended for each program, be sure to include both direct costs and indirect costs. If you are making a subaward to another entity, these amounts should also be reported as expenditures.

Total Expenditures - Enter the combined total of all federal expenditures from pass-through and direct awards by CFDA number.

Column 6 Notes to the Schedule:

REQUIRED - the notes to the schedule should disclose the basis of accounting and any other significant accounting policies used in preparing the schedule.

HIGHLY RECOMMENDED – to the extent practical, you should enter any amounts that your entity has passed through to a subrecipient for each federal program listed on the schedule. Circular A-133, section 210 has information on subrecipient designation. Do not list amounts paid to vendors here.

OPTIONAL, BUT RECOMMENDED – provide any information that may be useful to the reader such as the nature of a revolving loan program or the method used to value commodities or other non-cash assistance such as property or vaccines.

An example of these footnotes is provided below.

List of Federal Agency Two-Digit Prefix for Assigning CFDA Numbers

01 African Development Foundation	43 National Aeronautics and Space Administration
02 Agency for International Development	44 National Credit Union Administration
03 Institute for Museum Services	46 National Labor Relations Board
04 Inter-American Foundation	47 National Science Foundation
05 National Endowment for the Arts	53 President's Comm. on Employ. of the Handicapped
06 National Endowment for the Humanities	57 Railroad Retirement Board
07 Office of National Drug Control Policy	58 Securities and Exchange Commission
08 Peace Corps	59 Small Business Administration
09 Legal Services Corporation	60 Smithsonian Institution
10 Department of Agriculture	61 International Trade Commission
11 Department of Commerce	62 Tennessee Valley Authority
12 Department of Defense	64 Department of Veterans Affairs
13 Central Intelligence Agency	66 Environmental Protection Agency
14 Department of Housing and Urban Development	68 National Gallery of Art
15 Department of Interior	70 Overseas Private Investment Corporation
16 Department of Justice	77 Nuclear Regulatory Commission
17 Department of Labor	78 Commodity Futures Trading Commission
18 Federal Reserve System	81 Department of Energy
19 Department of State	82 United States Information Agency
20 Department of Transportation	83 Federal Emergency Management Agency
21 Department of Treasury	84 Department of Education
22 Postal Service	85 Scholarship Foundations
23 Appalachian Regional Commission	86 Pension Benefit Guaranty Corporation
27 Office of Personnel Management	87 Consumer Product Safety Commission
29 Commission on Civil Rights	88 Architectural and Transportation Barriers
30 Equal Employment Opportunity Commission	89 National Archives and Records Administration
32 Federal Communications Commission	91 Miscellaneous Foundations & Commissions
33 Federal Maritime Commission	92 National Council on Disability
34 Federal Mediation and Conciliation Service	93 Department of Health and Human Services
36 Federal Trade Commission	94 Corporation for National Service
39 General Services Administration	96 Social Security Administration
40 Government Printing Office	97 Department of Homeland Security
41 Interstate Commerce Commission	
42 Library of Congress	

Characteristics of Subrecipients and Vendors

A **subrecipient** is a non-federal entity (typically a local government or non-profit organization) that receives federal assistance from a pass-through agency (such as the state or another local government) to carry out a program or project of the federal government. Subrecipients receive the federal grant or loan so that it can meet a public need in the community. The amount paid to the subrecipient to reimburse it for the cost of the project or program should be based on actual, allowable costs incurred - that is, a subrecipient cannot earn a profit from its grant agreement. Subrecipients have substantial decision-making responsibility for how the project or program operates. Subrecipients are required to follow all applicable OMB Circulars such as A-102, A-87, A-133, A-110, and A-21. Often subrecipients are required to contribute some of their own funds as a matching share to accomplish the program or project.

Vendors compete with others to provide goods and services needed to operate a project or program. These goods and services are often ancillary to the overall program objectives. Selection of vendors is typically based on the capability to provide the best goods and services at the best price. The scope of work is specified by the grantee and the price is usually based on quotes, formal bids, or requests for proposals. Vendors are often paid a set fee for providing its goods or services where the price allows the vendor to recover its costs and also earn a profit.

Tips for Preparing the Schedule

- Some projects or programs may be funded by a mix of federal and state or local money. If possible, identify the different sources and list them on appropriate schedules (i.e., the federal share on the *Schedule of Expenditures of Federal Awards* and the state or local portion on the *Schedule of State and Local Financial Assistance*. If the state or local portion cannot be identified, list the entire amount on the *Schedule of Expenditures of Federal Awards* and describe the commingled nature of the funds in the notes to the *Schedule of Expenditures of Federal Awards*.
- Funds received as fee for services should not be included on the Schedule 16. That is, if your government is being paid for providing goods or services in a vendor capacity, this vendor payment is not considered a federal grant.
- List all awards from the same federal agency together on the schedule (for example, group all HUD awards together by CFDA number).
- If you choose to report multiple projects/programs that have the same CFDA number as separate line items (e.g., WSDOT highway planning and construction projects), provide a subtotal for the CFDA number.
- It is important to note that the expenditures reported on the Schedule of Expenditures of Federal Awards will not necessarily tie to those reported on the operating statement, especially if the federal awards include loans or non-cash awards (property, supplies, etc.). However, all amounts reported should agree or reconcile to records maintained by finance, budget, and treasury departments.
- The SEFA should be prepared using the same basis of accounting as your financial statements. For example, if you prepare your financial statements using the cash basis of accounting, you should report your expenditures of federal awards using the cash basis. Explain any departure in the footnotes.
- In the footnotes to the SEFA, it is highly recommended that you list any amounts that your entity has passed through to a subrecipient for each federal program listed on the schedule. Circular A-133, section 210 has information on subrecipient designation. Do not list amounts paid to vendors in this footnote.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**For the Year Ended December 31, 2009**

1	2	3	4	5			6
Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Foot- note Ref.
				From Pass- Through Awards	From Direct Awards	Total	
U.S. Department of Agriculture	Water and Waste Disposal Systems for Rural Communities	10.760	WA178- 04		\$475,000	\$475,000	2
U.S. Environmental Protection Agency/Pass- Through from WA DOE	Capitalization Grants for Clean Water State Revolving Funds	66.458	56 LA 894	\$355,000		355,000	2, 4
U.S. Environmental Protection Agency/Pass- Through from WA DOC	Capitalization Grants for Drinking Water State Revolving Fund	66.468	R8-0456	\$575,250		575,250	2, 4
Total Federal Awards Expended				\$930,250	\$475,000	\$1,405,250	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

SAMPLE DISTRICT, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the District's financial statements. The District uses the (describe the basis of accounting used by the district).

NOTE 2 – FEDERAL LOANS

The District was approved for the following loans for water and sewer capital projects:

USDA Rural Utilities Service	\$ _____
EPA (WA DOE)	\$ _____
EPA (WA Public Works Board)	\$ _____

The amount listed on the schedule includes loan proceeds received during the year and the outstanding loan balance from prior years. Both the current and prior year loans are also reported on the District's Schedule of Long-Term Debt.

NOTE 3 – INDIRECT COST RATE

The amount expended includes \$ _____ claimed as an indirect cost recovery using an approved indirect cost rate of _ percent.

NOTE 4 – AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for this program is \$ _____ that was passed through to a subrecipient that administered its own project.

NOTE 5 – AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Expenditures for this program were funded by ARRA.

MCAG NO. ____

(DISTRICT)

Schedule 16

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 20__

1	2	3	4	5			6
Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Foot- note Ref.
				From Pass- Through Awards	From Direct Awards	Total	
Total Federal Awards Expended							

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule

SCHEDULE OF STATE/LOCAL FINANCIAL ASSISTANCE

List on this schedule expenditures from grants received directly or indirectly from state agencies, grants from other local governments and program income. Expenditures from state shared revenues and entitlements do not need to be included on this schedule.

List separately expenditures from state and local governments' grants. Provide a subtotal for both categories and a total for the entire schedule. In addition, list together all expenditures from grants received from the same state agency.

State-funded loans do not need to be reported on this schedule. Be sure that any loans received from state agencies are not actually federal in origin. In such a case, a federal loan passing through a state agency should be reported in the federal schedule.

Any payments that your entity receives as a *fee for services* should not be included on the Schedule 16.

Notes to Preparer

Often federal financial assistance received indirectly is a mix of federal and state or local money. If possible, identify the different sources and list them on appropriate schedules (i.e., the federal share on the *Schedule of Expenditures of Federal Awards* and the state or local portion on the *Schedule of State and Local Financial Assistance*. If the state or local portion cannot be identified, list the entire amount on the *Schedule of Expenditures of Federal Awards* and describe the commingled nature of the funds in *the notes to the Schedule of Expenditures of Federal Awards*.

Records must agree or reconcile to those in finance, budget and treasury departments.

- | | |
|----------|--|
| Column 1 | Provide the name of the grantor agency or organization followed by the name of each program for that agency. Please clearly distinguish between agencies with similar names or initials. |
| Column 2 | Use this column to report grant, contract or award numbers assigned by state or local agencies. If a number is not available, write "N/A". |
| Column 3 | Use this column to report current year expenditures (determined on the same basis of accounting as the financial statements). |

SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE

For the Year Ended December 31, 2009

1	2	3
Grantor/Program Title	Identification Number	Current Year Expenditures
WA State Energy Office:		
Energy Code Enforcement	1-90-743-09	\$68,822
<u>Total WA State Energy Office</u>		\$68,822
Department of Transportation:		
Division of Aeronautics	GC9434	\$5,692
Street Improvement	8008C011	122,500
<u>Total Department of Transportation</u>		\$128,192
Department of Social and Health Services:		
Child Protective Services	6500-85008	\$22,410
<u>Total Department of Social and Health Services</u>		\$22,410
Department of Health:		
Maternal Child Health	1620-01579	\$75,000
Immunization; Vaccine	1620-01579	58,890
Shellfish	2600-02240	8,620
<u>Total Department of Health</u>		\$142,510
<u>TOTAL STATE ASSISTANCE</u>		\$361,934
EMS Regional Council	N/A	\$15,113
City of Sample; Arts Grant	12345-678	3,115
<u>TOTAL LOCAL ASSISTANCE</u>		\$18,228
<u>TOTAL STATE AND LOCAL ASSISTANCE</u>		<u>\$380,162</u>

(DISTRICT)

For the Year Ended December 31, 20__

[illegible]

SCHEDULE 19 – LABOR RELATIONS CONSULTANT(S)

The 1993 Legislature has required the State Auditor’s Office to collect information regarding the role labor relations consultants play in local governments. This reporting requirement is found in RCW 43.09.230, as amended by the 1993 Legislature. The statute provides that “the legislature finds and declares that the use of outside consultants is an increasing element in public sector labor relations. The public has a right to be kept informed about the role of outside consultants in public sector labor relations. The purpose of this act is to help ensure that public information is available.”

Labor relations is a broad spectrum of activities which concern the relationship of employees as a group with the local government as employer. It includes employee representation issues, negotiation of contracts, and preparation and conduct of interest arbitrations.

A *labor relations consultant* is someone who agrees to perform such services for compensation. For example, a labor relations consultant includes an attorney or other professional engaged by the local government to negotiate a collective bargaining agreement. It would not include a firm engaged to establish a personnel manual or to prescreen job applicants. The determining factor is the substance of services the consultant has been engaged to perform.

This schedule is used to identify expenses for labor relations consultants: Disclosure should include identification of each consultant and the terms and conditions of each agreement.

The schedule is required to be filed with the State Auditor’s Office whether or not your district has labor relations consultants. Prepare a schedule for each consultant. Alternative formats are acceptable, including spreadsheets, as long as the required information is provided.

(DISTRICT)

SCHEDULE OF LABOR RELATIONS CONSULTANT(S)**For the Year Ended December 31, 20__**

Has your government engaged labor relations consultants? ____ Yes ____ No

If yes, please provide the following information for each consultant:

Name of Firm
Name of Consultant
Business Address
Amount Paid to Consultant During Fiscal Year
Terms and Conditions, as Applicable, Including: Rates (e.g., hourly, etc.) _____ Maximum Compensation Allowed _____ Duration of Services _____ Services Provided _____ _____

Certified Correct this _____ day of _____, 20____ to the best of my knowledge and belief:
Signature
Name
Title

SCHEDULE 21 – RISK MANAGEMENT

Schedule 21 is required for local governments that self-insure or assume some other insurable risks. The schedule is also applicable to all entities or programs organized under Chapter 48.62 RCW which provides insurance coverage (with or without claims servicing) to pool members or others (i.e., joint programs). This requirement applies to both stand-alone public entity risk pools and programs which are part of a parent entity.

Schedule 21 is not applicable in the following situations:

- The only risk financed or assumed is an annual deductible of a purchased insurance policy.
- The local government is a member in a public entity risk pool.
- The self-insurance is related to unemployment compensation.
- The self-insurance is related to industrial insurance.

Amounts included in the table under Question 8 should represent only the amounts related to the program, if identifiable. Examples 1 and 2 apply to all programs with a formal program to finance risks. Use Example 1 for property and liability program(s). Use Example 2 for health and welfare program(s). Example 3 applies to local governments which decided to assume risk without formal risk financing and management program.

Initial report should include copies of documents listed below and subsequent reports should include these documents only if amended during the year. Report should include the following:

- Resolution establishing the program
- Interlocal agreement, when applicable
- Articles of incorporation, if applicable
- Program by-laws, if adopted
- Insurance coverage documents (excess insurance, reinsurance, etc.)
- List of participants (member entities) including identification of the predominant participant if any
- Full description of program structure and financing including participant's retention level, program retention level, and excess insurance limits and attachment point
- Copy of State Risk Manager approval notification
- Actuarial analysis of program liabilities, when applicable
- List of contractors and service providers and description of services provided, when applicable

Use the following general instructions when preparing the schedule:

- a. Indicate the date of the report being filed. For the initial report, include the appropriate fiscal period covered. For subsequent reports indicating a change to the risks being assumed, indicate the effective date of the change being reported.
- b. Report all known risks which have been assumed by the local government. If there is some doubt about whether or not to include a risk on this report, we recommend you disclose the information rather than omit it.
- c. Describe risk the governing body of the local government has decided to assume as well as the appropriate dollar level involved. Also, indicate the effective date that the local government began assuming the responsibility for each *class of risk*. Report this information by the following categories:
 - (1) Self retention or deductible provision for purchased commercial insurance policies.
 - (2) Self retention or deductible provision for participation in joint self-insurance program.
 - (3) All other known assumed risks.

d. If there is some doubt about the appropriate category of risk to be used, we recommend you disclose the information rather than omit it.

e. Include a description of the claims processing. Indicate if claims are administered by the local government's staff or whether the government uses the services of a third party administrator. If so, include name, telephone number, and address of firm as detail description of services provided by the contractor.

Please refer to Accounting for GAAP PUDs and Other Proprietary-Type Districts, Chapter 8, Section A, *Risk Management Principles*, for more information.

Example 1

LOCAL GOVERNMENT RISK FINANCING
Property and Liability

(District)

Program

Manager: _____

Address: _____

Phone: _____

Date: _____

Fiscal Period: _____

Plan Period: _____

Organization Legal Name: _____

Date Established: _____

Check all that apply:

☐ Joint Property and Liability

☐ Individual Property and Liability

☐ Property

Number of participants in the joint Property program _____

☐ Liability

Number of participants in the joint Liability program _____

1. Of the items checked above, explain significant changes from the prior report, if any.

2. Did the entity obtain an independent actuarial analysis of program's liabilities for the reporting period? When was the most recent actuarial analysis performed? How are liabilities determined?

3. Describe the type of claims managed by the entity and whether claims audits are periodically performed. If claims servicing is contracted, describe the services provided by the contractor.

4. Does the entity provide insurance coverage or claims services to other entities or organizations not included in the list of participants? If yes, describe the type of insurance and describe claims services provided to others.

5. If program is not reporting as a stand-alone risk pool, describe whether the general fund or internal service fund is used for accounting and reporting.

6. Does the total reported program related designated fund balance equal to or exceed all program's liabilities? If not, attach and describe formal adopted plan to maintain minimum required fund balance.

7. If program revenues were not sufficient to pay for program expenses during the reporting period, attach and describe formal adopted plans to ensure program is able to continue its operations and meet its obligations.

8. This question is applicable to all programs not reporting as stand-alone pools. Complete the following as it relates to the program:

	Ending Balance
Program assets:	
Cash, equivalents, and investments	
Member receivables	
Insurance recoverable	
Other receivables	
Other current assets	
Capital assets net of acc. depr.	
Other noncurrent assets restricted or designated for program use	
Total program assets	

	Ending Balance
Program liabilities:	
Unpaid claims and claims adjustment expenses (including IBNR)	
Unallocated claims adjustment expenses	
Accounts payable	
Other current liabilities	
Noncurrent liabilities	
Total program liabilities	
Program equity	

	Ending Balance
Program income	
Member contributions	
Member contributions penalties, interest, etc.	
Collection of member deductibles and other	
Employer contributions	
Interest and dividend income	
Insurance related recoveries, reimbursements, etc.	
Other contributions	
Total program income	
Program expenses	
Claims paid	
Insurance premiums paid	
Excess insurance premiums paid	
Reinsurance premiums paid	
Claims adjustment paid	
Brokerage fee paid	
Legal expenses	
Contracted claims services	
Other contracted services	
Other expenses	
Total program expenses	

Example 2

LOCAL GOVERNMENT RISK FINANCING
Health and Welfare (medical, vision, dental, prescription, other)

(District)

Program
Manager: _____ Date: _____
Address: _____ Fiscal Period: _____
Phone: _____ Plan Period: _____

Organization Legal Name: _____
Date Established: _____

Check all that apply:

☐ Joint Health and Welfare ☐ Individual Health and Welfare

☐ Medical Number of participants in the Medical program _____

☐ Vision Number of participants in the Vision program _____

☐ Dental Number of participants in the Dental program _____

☐ Prescription Number of participants in the Rx program _____

9. Of the items checked above, explain significant changes from the prior report, if any.

10. Did the entity obtain an independent actuarial analysis of program's liabilities for the reporting period?
When was the most recent actuarial analysis performed? How are liabilities determined?

11. Describe the type of claims managed by the entity and whether claims audits are periodically performed. If
claims servicing is contracted, describe the services provided by the contractor.

12. Does the entity provide insurance coverage or claims services to other entities or organizations not included in the list of participants? If yes, describe the type of insurance and describe claims services provided to others.

13. If program is not reporting as a stand-alone risk pool, describe whether the general fund or internal service fund is used for accounting and reporting.

14. Does the total reported program related designated fund balance equal to or exceed all program's liabilities? If not, attach and describe formal adopted plan to maintain minimum required fund balance.

15. If program revenues were not sufficient to pay for program expenses during the reporting period, attach and describe formal adopted plans to ensure program is able to continue its operations and meet its obligations.

16. This question is applicable to all programs not reporting as stand-alone pools. Complete the following as it relates to the program:

	Medical	Vision	Dental	Rx
Program assets:				
Cash, equivalents, and investments				
Member receivables				
Insurance recoverables				
Other receivables				
Other current assets				
Capital assets net of acc. depr.				
Other noncurrent assets restricted or designated for program use				
Total program assets				

Program liabilities:				
Unpaid claims and claims adjustment expense (including IBNR)				
Unallocated claims adjustment expenses				
Accounts payable				
Other current liabilities				
Noncurrent liabilities				
Total program liabilities				
Program equity				

	Medical	Vision	Dental	Rx
Program income				
Member contributions				
Member contributions penalties, interest, etc.				
Collection of member deductibles and other				
Employer contributions				
Interest and dividend income				
Insurance related recoveries, reimbursements, etc.				
Other contributions				
Total program income				
Program expenses				
Claims paid				
Insurance premiums paid				
Excess insurance premiums paid				
Reinsurance premiums paid				
Claims adjustment paid				
Brokerage fee paid				
Legal expenses				
Contracted claims services				
Other contracted services				
Other expenses				
Total program expenses				
Net program income (loss)				

Use the following general instructions when preparing this report for local governmental entities which individually assume risk (operate on pay-as-you-go basis).

- a. Indicate the date of the report being filed. For the initial report, include the appropriate fiscal period covered. For subsequent report indicating a change to the risks being assumed indicate the effective date of the change being reported.
- b. Report all known risks which have been assumed by the entity. If there is some doubt about whether or not to include a risk on this report, we recommend you disclose the information rather than omit it.
- c. Describe risk the governing body of the entity has decided to assume as well as the appropriate dollar level involved. Also, indicate the effective date that the entity began assuming the responsibility for each *class of risk*. Report this information by the following categories:
 - (1) Self retention or deductible provision for purchased commercial insurance policies.
 - (2) Self retention or deductible provision for participation in joint self-insurance program.
 - (3) All other known assumed risks.
- d. If there is some doubt about the appropriate category of risk to be used, we recommend you disclose the information rather than omit it.
- e. Include a description of the claims processing. Indicate if claims are administered by the entity's staff or whether the entity uses the services of a third party administrator. If so, include name, telephone number, and address of firm as detail description of services provided by the contractor.

Example 3

**LOCAL GOVERNMENT RISK-ASSUMPTION
WITHOUT FORMAL RISK FINANCING PLAN**

(District)

Program
Manager: _____
Address: _____
Phone: _____

Date: _____
Fiscal Period: _____

Property/Liability Risk Assumed:

Effective Date	Description of Risk	Amount (i.e., attachment point, etc.)	Change from prior year?

Health/ Welfare Risk Assumed:

Effective Date	Description of Risk	Number of Participants	Change from prior year?

THIS PAGE LEFT BLANK INTENTIONALLY.

SCHEDULE 22 – ANNUAL QUESTIONNAIRE FOR AUDIT ASSESSMENT

This schedule only needs to be completed for local governments with annual revenues that are usually less than \$200,000. For purposes of this threshold, annual revenues include grants, tax collections, and other local receipts, but not bond proceeds or other non-revenues. If annual revenues are usually less than \$200,000 but exceed the threshold in one year due to a one-time revenue source, the schedule should still be completed, as the State Auditor's Office may continue to perform an audit assessment in lieu of an on-site audit.

If you are unsure whether or not your government needs to complete this schedule, contact Lisa Tagman of the State Auditor's Office at (360) 725-5599 or by email at tagmanl@sao.wa.gov.

FREQUENCY OF AUDIT ASSESSMENTS

Changes to state law (RCW 43.09.260) that took effect July 1, 2009, require our Office to conduct certain audits, including audit assessments, of local governments no more often than once every two years. These changes do not limit our ability to initiate or conduct special investigations and also would not prevent clients from requesting more frequent audits due to need or preference.

As a result, our Office will now perform assessments on a biennial basis. Therefore, governments will receive an assessment results letter and invoice every two years. *Schedule 22 still must be submitted on an annual basis as a part of the annual report.* If you want us to perform, report and invoice your audit assessment on an annual basis instead of every two years, please contact Lisa Tagman at (360) 725-5599 or by email at tagmanl@sao.wa.gov.

INSTRUCTIONS FOR PREPARER

The following are detailed instructions for completing each question of the assessment.

- All questions must be answered and all required attachments must be included for the schedule to be considered complete.
- Attachments may be printed or included in electronic format. For example, copies of minutes may be saved to a CD and included with the assessment.
- If you wish to provide further detail on any of the questions, feel free to write-in explanations or attach a memo with the additional detail.
- If you have further questions on the assessment, please contact our Office at (360) 725-5599 or by email at tagmanl@sao.wa.gov.

Question 1 Enter the total revenue of the government for the year excluding any proceeds of debt or transfers between funds. Revenue is defined as an increase in financial resources (e.g. taxes, grants, assessments, etc.) and does not include debt proceeds or transfers.

Question 2 Enter the total proceeds of any debt issuances received during the year. This will be funds not reported as revenue in question 1.

Question 3 Describe any major changes that occurred for the government during the fiscal year. For example, a major change may be new or discontinued programs, new grants or contracts, significant construction or other projects, major increases or decreases in activity, etc.

Question 4 RCW 42.32.030 requires “minutes of all regular and special meetings except executive sessions of such boards, commissions, agencies or authorities shall be promptly recorded and such records shall be open to public inspection.”

Provide an explanation of any circumstances where minutes were not taken or are otherwise not available.

Question 5 Attach copies of the official minutes and all resolutions and/or ordinances for all meetings of the governing body held during the fiscal year. As stated above, attachments may be photocopies or electronic documents saved on a CD. If minutes and resolutions/ordinances are available on the government’s website, no attachments are needed; just mark the second box.

Question 6 Enter a description and the ending balance for each bank account. For money held by the County, the balance should be the total cash and investments shown for each fund in the year end County Treasurer report. For money in bank accounts, the balance should match the bank account statement for the last month of the fiscal year.

“Description of Account” should indicate the purpose and location of the account. For example:

Description of Account	Fiscal Year End Balance
County Fund 6654: Fire #7 Expense	\$64,940
County Fund 6655: Fire #7 EMS	\$7,663
County Fund 6657: Fire #7 2006 LTGO Bond	\$13,658
Bank of America Imprest Fund	\$546

Question 7 Mark whether or not accounts are reconciled on a monthly basis to the government’s records of receipts and authorized expenditures.

Question 8 Mark whether or not the County acts as the government’s treasurer.

Question 9 List any software used to perform accounting functions and what the software is used for. Accounting functions are processes that involve money, such as billing, receipting, writing checks or tracking revenues and expenditures.

Some entities will use *Quicken* or a similar program for accounting purposes or to track revenues and expenditures and possibly write checks or reconcile bank statements. Other entities rely entirely on the County and County reports.

Question 10 Mark whether or not the governing body regularly receives any financial information and, if so, briefly describe what information is received.

For example:

At each meeting: detailed list of warrants for approval and the County treasurer's report.

Near the end of the year: budget-to-actual report to plan next budget.

Question 11 Mark no if there are or have been any known or suspected losses of public funds or illegal activity that have not already been reported to our Office.

RCW 43.09.185 requires state agencies and local governments to immediately report to the State Auditor's Office known or suspected loss of public funds or assets or other illegal activity. See the accounting section of the BARS Manual for detailed guidance on reporting requirements. This question is an opportunity to do so if there has been a known or suspected loss of public funds and this notification has not already occurred.

Question 12 Describe any pending or threatened lawsuits the government is involved in, either as a plaintiff or defendant. The description should include parties involved, the reason for the suit and the dollar amount involved.

Question 13 This question is an opportunity for the governing body to request a review of any particular area or practice or to clarify any questions that you or the governing body might have regarding safeguarding of public resources, compliance with applicable laws or the audit process.

Of course, such questions may be submitted at any time on the Client HelpDesk available on our website.

Question 14 List the full name of each member of the governing body and then list any paid positions (full or part-time employment) held by the official and any business owned or operated by the official or a spouse during the period of the audit. This information is needed to evaluate conflict of interest statutes.

For example:

Name of Official	Occupation	Businesses Owned or Operated by Official or Spouse
Joan Smith	Retired	None
Manny Jones	general contractor – self employed	Manny & Sons Construction Stoneybrook Developments, LLC

Question 15 List the name and position title of all employees, including both paid and volunteer staff in full or part time positions.

Question 16 Attach a detailed report or print out of all expenditures for the year. The attachment should list every expenditure made during the fiscal year and include the following minimum information:

- Warrant/check number
- Payee
- Date paid (i.e. warrant date)
- Amount paid

If the County Treasurer is used, a warrant register or expenditure listing can normally be obtained from the County showing this information. As stated above, attachments may be photocopies or electronic documents saved on a CD.

Question 17 List all major construction projects or purchases of materials, equipment or supplies occurring during the year (those over the government's bid thresholds). For each of these projects or purchases, note the total amount expended and briefly describe the procurement process.

For example:

Describe Purchase or Project	Total Amount of Purchase or Project	Describe Procurement Process (e.g. use of formal sealed bids, written or phone quotes, use of small works roster, etc.)
Construction of back parking lot for Greenway fire station	\$13,540	Three written quotes from local contractors on our small works roster
Purchase of fire engine	\$183,354	Advertised and conducted formal sealed bid

If unsure about applicable bid thresholds, you can check the Municipal Research and Services Center of Washington (MRSC) website at www.mrsc.org/Subjects/PubWorks/pb/pbintro.aspx.

Question 18 List all petty cash funds and funds used to make change. For each fund, note the custodian, authorized balance and – for petty cash funds only – the total expenditures made during the year through the fund. The custodian is the person responsible for the funds, who writes checks or makes change. The authorized balance is the amount of money the governing body authorizes for the petty cash or change fund.

Question 19 When disbursements are made from a petty cash fund, the fund should be replenished back up to the authorized balance on a monthly basis. At that same time, the fund should be reconciled to the actual amount on hand and the authorized balance. The difference between the amount on hand and the authorized balance should equal the amount requested for replenishment and be supported by the detail list and documentation of payouts for the month.

See the accounting section of the BARS Manual for detailed guidance on minimum controls for petty cash funds.

Question 20 List all credit or purchase cards and accounts, along with the total amount charged or purchased via the account during the year. This list should include all types of credit cards and any accounts with local merchants, even if paid off each month.

Question 21 Mark whether written policies regarding credit cards have been approved by the governing body. Mark N/A if the government does not have any credit card accounts. Written policies are required by RCW 43.09.2855 for any local government that uses credit cards. The RCW specifically requires that policies cover how access and use of cards will be controlled, authorized users and credit limits among other items.

Question 22 Mark whether or not all expenditures were approved by the governing body prior to issuance or else met the conditions of RCW 42.24.180.

See the accounting section of the BARS Manual for detailed guidance on voucher certification and approval.

Question 23 Mark whether written travel policies defining allowable travel expenses have been approved by the governing body. Mark N/A if there were no expenditures or reimbursements for travel costs during the period. Travel includes meals, transportation, mileage reimbursements, lodging and any other related items.

See the accounting section of the BARS Manual for detailed guidance on travel expenditures.

Question 24 Mark whether written policies regarding personal use of cell phones provided by the government have been approved by the governing body. Mark N/A if no cell phones or cell phone reimbursement is provided to employees or volunteers. This includes all situations where the government pays for employees to have cell phones – either buying phones to assign to employees or reimbursing employees for use of personal cell phones.

See the accounting section of the BARS Manual for detailed guidance on cell phones.

Question 25 Mark whether written policies regarding personal use of vehicles provided by the government have been approved by the governing body. Mark N/A if no vehicles are provided to employees or volunteers.

Question 26 List and describe any types of revenues received directly by the government. Many small entities do not bill or receipt any revenues directly and instead only receive taxes or state funds through the County Treasurer. However, other entities receive some or all of their revenues directly and then deposit these with the County or in a bank account. Only these types of directly received revenues need be described.

Directly-receipted revenues should be briefly described and associated questions answered. For example:

Description of Revenue	Please answer the following questions regarding this revenue
Water hook-up fee	How much revenue was received during the fiscal year: <u>\$4,000</u> Are receipts or statements given for revenue received? <u>no</u> How often are receipts deposited? <u>weekly</u> Are receipts reconciled to deposits by someone who does not handle cash? <u>deposits reconciled by the board chair on a monthly basis</u>
Water charges	How much revenue was received during the fiscal year: <u>\$46,217</u> Are receipts or statements given for revenue received? <u>yes, monthly statements</u> How often are receipts deposited? <u>weekly</u> Are receipts reconciled to deposits by someone who does not handle cash? <u>yes, by the board chair on a monthly basis</u>

If there are not enough lines on the schedule, the information could be listed in an attachment. As stated above, attachments may be photocopies or electronic documents saved on a CD.

See the accounting section of the BARS Manual for detailed guidance on cash receipting.

Question 27 Mark whether the governing body approved all rates or fees in effect during the period, as well as any changes to such rates or fees. Mark “N/A” only if the government does not charge any rates or fees (for example, if revenues only consist of property taxes, grants or entitlements). Normally, rate setting authority is vested with the governing body.

Question 28 As applicable, attach official rate and fee schedules in place during the fiscal year for any revenues billed or received directly.

Question 29 If any revenues are billed and there are any amounts outstanding (unpaid) at the end of the year, attach a report or schedule that lists the receivables. The report (commonly known as an “aging report”) should include the following minimum information:

- Account name
- Amount due
- Number of days since the amount was billed. If this information is not available, include the date of the original billing.

Question 30 List any amounts sent to a collections agency or written-off during the year. Write-offs represent money that the government has either forgiven/canceled or has given up on the possibility of collecting.

Representations These refer to the information provided in the annual report, including this schedule, and any attachments. The representations should be signed by the person completing it and by a member of the governing body.

Representations do not alter or add to the fundamental responsibilities of employees or officials. Rather, they acknowledge and attest to management’s existing responsibilities for reporting, compliance and safeguarding of public resources. We understand that representations made are not a guarantee, but rather constitute a good faith statement to the best of your knowledge and belief. Although the State Auditor’s Office has drafted this schedule, the representations are yours. If you are not sure about the meaning of a particular representation or feel that you cannot make a representation, please contact Lisa Tagman at (360) 725-5599 or tagmanl@sao.wa.gov to discuss it.

SCHEDULE 22 – ANNUAL QUESTIONNAIRE FOR AUDIT ASSESSMENTS

OPERATIONS

1. Total Annual Revenues: \$ _____

2. Total Proceeds of any Debt Issuance: \$ _____

3. Are activities and operations of the government essentially the same as last year? *If no, describe major changes to operations below or in an attachment:* ☐ Yes ☐ No

4. Are official minutes, resolutions and ordinances available for actions taken at all regular and special meetings of the governing body? *If no, list any minutes, resolutions or ordinances that were not documented, lost or otherwise unavailable:* ☐ Yes ☐ No ☐ N/A

5. Attach or reference all meeting minutes, resolutions and ordinances of the governing body for the period:

☐ Minutes for all meetings held during the period, along with all resolutions and/or ordinances passed during the period **are attached (either hard-copy or electronic format).**

☐ Minutes for all meetings held during the period, along with all resolutions and/or ordinances passed during the period **are available on our website.**

6. Provide a list of all cash and investment accounts (e.g. treasurer accounts, savings, investment, certificates of deposit, etc.) as of fiscal year end, even if those accounts are held with the County Treasurer.

Description of Account	Balance at Year End
	\$
	\$
	\$
	\$

7. Are all the above accounts reconciled on a monthly basis to accounting records? ☐ Yes ☐ No

8. Does the County act as the government's treasurer? ☐ Yes ☐ No

9. Does the government use any software programs to account for billing, receipting, payroll, warrants or other transactions? *If yes, list software below:* ☐ Yes ☐ No

10. Is the governing body regularly provided with any financial information for review (e.g. County Treasurer reports, bank reconciliations, budget versus actual reports, warrant listings, etc.)? *If yes, describe reports and frequency below:* ☐ Yes ☐ No

11. Have all instances of any known or suspected misappropriation or other illegal activity been reported to the State Auditor's Office as required by RCW 43.09.185? ☐ Yes ☐ No ☐ N/A

12. List and describe any lawsuits the government was involved in during the period or subsequent to the date of the annual report:

13. If there are areas of concern or questions that you or the governing body wish to discuss with us, please list these below or in an attachment.

EXPENDITURES

- 14.** List current elected or appointed officials, their occupations and any businesses owned or operated by officials or their spouses below or in an attachment.

Name of Official	Occupation	Businesses Owned or Operated by Official or Spouse

- 15.** List all staff (volunteer and/or paid) below or in an attachment.

Name	Title

- 16.** Attach a detailed list of all expenditures made during the year. This can be a copy of the check register, warrant register from the County, or other listing that includes fund (if more than one), warrant/check number, issue date, payee and amount. *If this list does not equal the total expenditures reported on the statements, the difference should be explained and itemized below or in an attachment.*

- 17.** Describe all major purchases or projects occurring during the fiscal year below or in an attachment:

Describe Purchase or Project	Total Amount of Purchase or Project	Describe Procurement Process (e.g., use of formal sealed bids, written or phone quotes, small works roster, etc.)
	\$	
	\$	
	\$	
	\$	

- 18.** List all petty cash and change funds – as well as the custodian, authorized balance and total amount processed through the each account during the year – below or in an attachment:

Use/Purpose of Fund	Name of Custodian	Authorized Balance	Total Amount Processed During Fiscal Year
		\$	\$
		\$	\$
		\$	\$

- 19.** Are petty cash funds replenished and reconciled to both the authorized balance and actual balance each month? ☐ Yes ☐ No ☐ N/A

- 20.** List all government credit cards or charge accounts and total amount charged during the fiscal year below or in an attachment:

Type and Description of Credit Card or Charge Accounts	Total Amount Charged During Period
	\$
	\$
	\$

- 21.** Are there written policies for credit cards, including provisions defining authorized users, credit limits and how access and use of cards will be controlled? ☐ Yes ☐ No ☐ N/A

- 22.** Did the governing body either approve expenditures prior to payment or follow requirements of RCW 42.24.180? ☐ Yes ☐ No

- 23.** If any payments or reimbursements were made for travel expenditures, are there written policies defining when allowable travel expenses? ☐ Yes ☐ No ☐ N/A

- 24.** If cell phones are provided to employees, are there written policies regarding personal usage? ☐ Yes ☐ No ☐ N/A

- 25.** If vehicles are provided to employees, are there written policies regarding personal usage? ☐ Yes ☐ No ☐ N/A

REVENUES

- 26.** Are any types of revenues billed or received directly by the government, rather than through the County? If so, describe these below or in an attachment:

- ☐ NO, the County bills and receives all the government's revenues.
☐ YES, as detailed below or in an attachment:

Description of Revenue Type	Please answer the following questions regarding this revenue
	How much revenue was received during the fiscal year: \$ _____ Are receipts or statements given for revenue received? _____ How often are receipts deposited? _____ Are receipts reconciled to deposits by someone who does not handle cash? _____
	How much revenue was received during the fiscal year: \$ _____ Are receipts or statements given for revenue received? _____ How often are receipts deposited? _____ Are receipts reconciled to deposits by someone who does not handle cash? _____
	How much revenue was received during the fiscal year: \$ _____ Are receipts or statements given for revenue received? _____ How often are receipts deposited? _____ Are receipts reconciled to deposits by someone who does not handle cash? _____
	How much revenue was received during the fiscal year: \$ _____ Are receipts or statements given for revenue received? _____ How often are receipts deposited? _____ Are receipts reconciled to deposits by someone who does not handle cash? _____

- 27.** Are all rates and fees established and updated by approved ordinance or resolution? ☐ Yes ☐ No ☐ N/A
- 28.** If applicable, attach the rate and fee schedule(s) in effect during the fiscal year for any revenues billed or receipted by the government.
- 29.** Attach a report showing all outstanding receivables as of fiscal year end for any billed revenues. The report should list the account name, amount due and the number of days since the amount was billed.
- 30.** List all accounts sent to collections or written off during the fiscal year below or in an attachment:

Account Name and/or Number	Dollar Amount Sent to Collection	Dollar Amount Written Off

REPRESENTATIONS

I do hereby certify that the following representations are true and accurate, to the best of my knowledge and belief, having made all appropriate inquiries in order to provide such representation:

- Information given in the annual report, including Schedule 22 and any attachments, is complete, true, accurate and in conformity with the *Budgeting, Accounting and Reporting System Manual*.
- We acknowledge and understand that management and the governing body are responsible for the design and implementation of policies and procedures to safeguard public resources and ensure compliance with applicable laws and regulations, including internal controls to prevent and detect fraud.
- We acknowledge and understand that management and the governing body are responsible for complying with applicable state and local laws and regulations.
- The entity has complied with contract provisions and all applicable state laws, with the following exceptions:

Person Preparing the Schedule: _____ Date _____

Governing Body Member: _____ Date _____